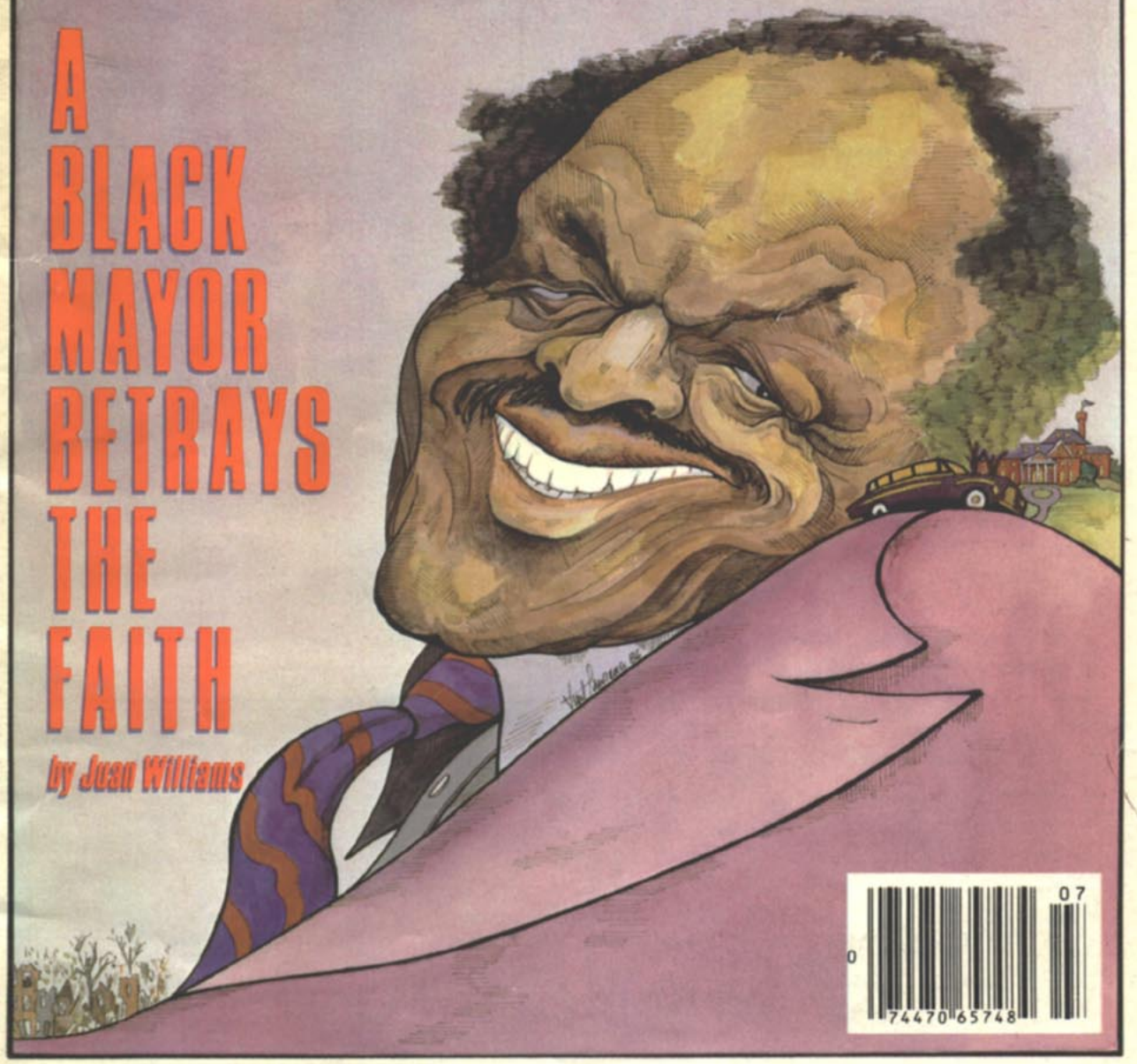
◆ Thomas J. Peters on Ralph Nader, Paul Warnke on Zbigniew Brzezinski, and David Wise on the CIA

The Washington Monthly

JULY-AUGUST 1986/$2.50

A BLACK MAYOR BETRAYS THE FAITH

by Juan Williams



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NASA's failure surprised *The New York Times* and *The Washington Post*, *Time*, *Newsweek*, and the three television networks.

It didn't surprise us.

Six years before the fatal launching of the Challenger, *The Washington Monthly* was questioning the space shuttle's safety. Gregg Easterbrook wrote, "Here's the plan. Suppose one of the solid-fueled boosters fails. The plan is, you die."

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LETTERS

Costly Campaigns

In your April issue in your "Tilting at Windmills" column, you mentioned your concern about the escalating costs of congressional campaigns. You also indicated that the problem has reached down to the state legislatures. I dare say in Austin, Texas, it is all the way down to the local level. In my successful campaign for city council, I spent $135,000. Many of your readers may consider this a large amount of money to spend for a city council race in a city with a population of about 400,000. Shockingly, my campaign was the lowest dollar campaign among all the successful candidates. By comparison, my opponent spent nearly $500,000 and one candidate in the mayoral race spent over $650,000.

I share your concern about the escalating costs of running successful political campaigns. Just five short years ago, a successful candidate for city council spent less than $20,000. Today, it is impossible to spend less than $100,000 and wage a successful campaign in Austin. I think this trend does have an effect on our democratic system and, if nothing else, certainly limits the number of qualified people who would even consider running for public office.

SMOOT CARL-MITCHELL
Austin, Texas

Wheel of Fortune

Philip Weiss's excellent profile of Steven Rattner ["Hello Sweetheart, Get Me Mergers and Acquisitions," May 1986] makes a point that's similar to a Chinese fortune cookie I once opened: "Fortune does not change men; it only reveals them."

STEVE FORRESTER
Washington, D.C.

NASA Redux

This is in regard to Charles Peters's piece on "Why the Bad News Doesn't Travel Up" [April 1986].

I was a Research Associate at the National Institute of Education from 1973-75, one of those bureaucrats Peters describes as coming "straight from graduate school." But, while I was indeed innocent of practical experience in government, I knew the right questions to ask. What I learned very quickly by asking the right questions supports Peters's thesis that government bureaucracy is structured to avoid hearing the bad news.

N.I.E. funded various educational laboratories or research centers, as does the Department of Education presently. The director of N.I.E. received a report from one of these labs. The report went from the director to my supervisor to me as a staff person. The report requested additional funding to support the lab's activities and provided an "evaluation" of its efforts to date as justification for its request. Since the evaluation as presented raised more questions than it answered, I suggested to my supervisor that we should get a lot more details before committing the agency to further support of this lab. My memo to my boss specified in detail some significant questions that needed to be addressed, etc.

I was subsequently told that a copy of my memo had been sent to the lab with a cover letter from my boss. The latter was a "Dear Ole Pal Joe" letter which asked Joe to send our new Research Associate, Dr. Chibucos, something which addresses his concerns. The whole thing seemed entirely too friendly to me—and it was.

Joe's return letter, to my supervisor, raked me over the coals; I was naive, I didn't understand how these things worked, etc. There was not a word, literally, on my substantive concerns. I was sent a copy by my boss and responded simply, saying that, since Joe hadn't addressed any of the issues, N.I.E. should phase out funding of this lab. I got back a letter that "we" would send Joe, and was asked to sign it as soon as possible. The letter was a watered down piece of pap and I refused to sign it.

Well, there's always somebody to sign it. So off it went, and onto the shit list went the refusenik.

What the director of N.I.E. saw was the final product only; that internal staff work getting lost in the bureaucratic maze. It all came down to a crucial point: this particular lab happened to be in the congressional district of a congressman who had a good deal to say about N.I.E.'s funding prospects.

Yep, they were right. I didn't "understand." I still don't understand how it is that so many Washington types think they are above ethical and moral principles which most everybody else interprets as reasonable rules for the conduct of human and social arrangements. Violations of the public trust, that is, the acceptance of those violations as normal operating procedure is "why the bad news doesn't travel up."

THOMAS R. CHIBUCOS, PhD
DeKalb, Illinois

I enjoyed reading your article on NASA. I have the following comments:

1) In 1984-5 the seriousness of the O-ring problem was pretty well known all the way up the line. The mistake was the August 1985 decision to "fly as is" while a repair was sought. The Marshall Space Flight Center and NASA headquarters collaborated on the decision—one of the colossal blunders of all time. Perhaps an Aeschylus could fathom it.

2) I pretty much agree with your analysis of the White House pressure issue and had already reached the same conclusion. I would like to know why, though, Pat Buchanan called NASA the week before launch. Do you know?

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3) You call me "Bruce" a couple of times.

4) Don't give the press too much credit for ferreting me out.

5) Shriver sounds like an ideal executive compared to the liars who run NASA.

RICHARD COOK
Washington, D.C.

Ethnic Distinctions

I am writing to take issue with several arguments posed by Thomas Massey in his story, "The Wrong Way to Court Ethnics," which appeared in your May issue.

Massey perpetuates several misconceptions about the Asian-American community to argue that Asian-Americans have arrived in this country and are therefore less in need of political wooing than other groups.

Massey rightly points out that many other groups who need political clout in this country have little. But he ignores reality when he argues that Asian-Americans are not among them.

Massey justifies his thesis by saying that Asian-Americans are wealthy and well-off. To support that, he uses well-worn statistics that conceal more basic truths about Asian-Americans.

As long ago as 1975, the U.S. Commission for Civil Rights reported that Asian-Americans' public image as a model minority has hampered them.

It is true that Asian-American median family income is above that of white Americans. But that raw number fails to take into account the fact that Asian-Americans may work many more hours per day or week to earn that income, and that all members of an Asian family may be helping to produce that income.

That income statistic also lumps together well-assimilated Asian families that have been in this country for generations with newly arrived immigrants. Many of those still work in kitchens, sweatshops and gas stations and are often forced to work long hours for less than the prevailing wage.

Massey bases his characterization of Asians as well-educated on a few statistics concerning college degrees and enrollment in high-profile schools. How many other Asians are denied basic education because of problems with language, income or cultural barriers? Massey also ignores the fact that a large number of Asians enrolled in schools like MIT and Caltech are foreign nationals.

Massey also ignores more basic obstacles Asian-Americans face in gaining real economic or political power—the same ones faced by all minorities.

I speak of racism and discrimination, which do not fade no matter how long a minority group resides in this country. "It's come to the point that as long as you 'look' Asian, you're open to attack," Los Angeles Asian community leader Stewart Kwoh told *The New York Times.*

Recent violence directed against immigrant Vietnamese by southern shrimpers, and against Korean

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merchants by their inner-city neighbors shows how vulnerable Asians are to such racism.

And even second or third-generation Asian-Americans are not immune. Vincent Chin, the 27 year-old Chinese-American beaten to death in Detroit, was the most tragic victim of the thinly veiled racism that blames Asia for America's problems, racism that makes a target of all Asians.

Massey suggests that affirmative action benefits should not automatically accrue to Asian-Americans because some may earn more than American Jews. He implies that Asian-Americans are now empowered to fend for themselves.

But, one need only search in vain for an Asian face on the executive boards of corporations, or in the legislatures of the states, or in the city councils, or in Congress itself to see just how real Asian-American power is. The fact is that a relatively small upper-class of Asian-American engineers, lawyers and doctors does not translate into real "political muscle" or economic influence.

Massey is correct in arguing that distinctions should be made among differing Asian groups, who are as diverse as Hispanics or Africans, in deciding where programs should be directed.

But, as long as attitudes like Massey's prevail, Asians will need to band together in uneasy coalitions to protect themselves politically. It is this realization that has led to the recent formation of so many Asian-American political-action organizations, and politicians of all stripes would do well to continue listening to them.

PATRICK LEE
Milwaukee, Wisconsin

Thomas Massey replies.

I thank Mr. Lee for his criticisms, but frankly I don't think we disagree about all that much. We both acknowledge that the Asian-American community is as polyglot as any, often split between rich and poor, native and immigrant, arrived and struggling. And we both concur that government assistance ought to be concentrated on those who work in "kitchens and gas stations."

Where we seem to disagree is in tone. Mr. Lee stresses the continued problems of Asian-Americans. I acknowledge those problems in my piece, but I nevertheless remain sanguine about the prospects of Asian-Americans in this country. Take family income figures. Yes, Mr. Lee is right when he notes that Asian median family income is inflated by virtue of larger families with more family members working. But as I argued, it is precisely their large and remarkably intact families that allow Asian-Americans to start small businesses and lift themselves out of poverty often by the second generation. I could go on to suggest other examples of success in American life. But I think my point is obvious as well as valid: The problems faced by Asian-Americans—by no means unworthy of private and public attention—are simply not comparable to those faced by American blacks.

Jail the Clerk

It's not like you to pull your punches. Why not take your thoughts on smoking ["Tilting at Windmills," May] to their logical conclusion: Tobacco (nicotine) is a drug, and it is habit forming. The medical evidence is conclusive. We ought to be throwing cigarette manufacturers, and yes, your corner grocery clerk, into jail the same way we would if it were cocaine or heroin.

R.E. CORDRAY
Huntsville, Alabama

Hacking Away

As I opened the May issue of *The Washington Monthly*, I saw Joseph Quinn's letter to the editor ["The Medallion Riddle," May 1986]—and while I am not the type to respond to published letters—I was confused enough by what I read to ask for clarification. I should begin by saying that I have virtually no formal economics training. I am a high school math teacher, and so I have no vested interest in the taxicab industry. (I did work for several months driving a cab in New York some years ago, and I have a current "hack" license, but I have no love for medallion owners.) So much for disqualifications.

As I see it, transportation is not a service which we consume as an end in itself. That is, we choose to take a cab because we need to get somewhere else—and because we need to get there more quickly or comfortably than by walking—and not merely for the pleasure of taking a cab. Therefore, anyone who has a presumed need to take a cab but cannot afford to do so because of the artificially high fare will choose another (cheaper) mode of transportation. In New York, with a 14 percent parking tax surcharge and an estimated $2,000 average annual cost of auto maintenance, that alternative will not be the use of a private car. The only other convenient choice is the public transportation system: buses and subways.

In this sense, there is no deadweight loss—since the beneficiary is the New York City Transit system. This is not a bad thing, either, since ridership has declined considerably over the past few decades, especially since would-be cab riders are probably not the turnstile jumping types. So Quinn's suggestion that society should buy out medallion owners means that society would pay twice: at the medallion brokerage office and at the token booth.

I have long thought that the discussion about increasing the number of medallions was a "so-what" issue. The proponents of new medallion plans often say that they will create an increased availability of cabs in the outer boroughs. But the New York City Police Department has already won this by tacit non-enforcement of the current taxi laws. Only medallion cabs are supposed to 'cruise' looking for fares, but the so-called gypsy cabs have sprung up everywhere, except in yellow cab-congested midtown, to meet the market demand. (The Black Pearl Cab Company, a

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gypsy cab firm based in a shabby area of Brooklyn, prints their motto on the side of their cars: "We're not yellow—we go anywhere.") New York State has cooperated as well by expanding the use of the 'Livery' license plate. Even the New York City Taxi & Limousine Commission recognizes what is going on; they stepped up their licensing and regulation of gypsy cabs a year or two ago, just to cash in on all the action.

I must say that I agree with Quinn and Mr. Peters that there is something suspicious about a government granted privilege becoming a private industry's boon, whether we are talking about medallions or airline landing rights. I also think it would be nice to find some way to average out the money-making opportunities of all would-be cab drivers without resorting to the jury-rigged system of "yellow cabs down there, gypsies up here" that is currently in use. But, hey! Our current system may be convoluted, but it works! And any system that I've heard of that would increase cab competition ultimately results in a net transfer of income from the public transportation agency to the private medallion owners, whoever they might be. Since cab riders, now or in the competitive future, are more likely to be wealthier than public transportation riders, this is a regressive solution. I, for one, would like to see people spend less time worrying about how to solve The Medallion Riddle and more time figuring out how to make public transportation cheap, fast, clean and efficient.

JOHN S. ABRAHAMS
New York, N.Y.

The Richmond Monthly

In the March 1986 "Tilting at Windmills" column, you ask, "I wonder how the civil libertarian opponents of drug testing feel about suspected addicts who work at nuclear power plants. Do they want a space cadet at the controls...?"

Well, there are two answers. The first is that you have fallen into the same trap you so often and rightly criticize in others: mistaking credentials for merit. A drug-free urine sample is no assurance that an employee isn't a space cadet, and the use of drugs on the employee's own time is no assurance that he is. Why are employers so enthusiastic about drug testing? Because it's very easy for a bureaucracy to send everybody to the company doctor for a simple yes/no decision and very hard for a bureaucracy to evaluate on-the-job performance and fire or promote people accordingly. I submit that if a utility can't weed out drug users by staging surprise emergency-drills and evaluating the results, then clearly the drugs don't matter. But if Chicago melts down because somebody has a bad habit of daydreaming instead of watching the gauges, the utility management will be all too happy to show us the paperwork which absolves them from responsibility by proving that everybody on duty was tested for drug use at the prescribed intervals.

The second answer is that the civil libertarians are way ahead of you. A few years ago, the ACLU discussed the adoption of a policy opposing nuclear power on the grounds that it would require police-state tactics to ensure against accidents and sabotage. Inferring that people who opposed nuclear power for other reasons were trying to enlist the ACLU in a crusade which had little to do with civil liberties, I wrote the chairman a feisty complaint. I guess I was wrong.

If Abraham Lincoln had taken your attitude when a group of temperance agitators urged him to dismiss Ulysses Grant on the (not entirely groundless) charge that the general was a drunkard, your magazine would now be named *The Richmond Monthly*. But, Abe judged generals by other criteria.

STEVEN J. CORRELL
Sunnyvale, California

BOOKSTORES & NEWSSTANDS

Don't be surprised to find more and more people asking for *The Washington Monthly*. Avoid being caught empty-handed. Call Tim Ruder at (202) 462-0128.

The Washington Cubs

Having just read your article ["Better Red than Steinbrenner," May 1986] about sports teams being owned by gypsies, (business people chasing mega-profits) I had to chuckle. Being a native Texan who has supported the Houston Astros when they were the Colt 45s, I wonder why the people in D.C. didn't support the Texas Rangers when they were the Washington Senators.

I, for one, would like to see sports teams stay where they start and as a good-will gesture would cheer if "Mad Eddie" Chiles would find a buyer for the Texas Rangers in the D.C. market and liquidate his baseball asset.

As for this vicious rumor that the Houston Astros could be relocated to Washington to replace the defunct Senators just like the Royals replaced the Athletics and the Brewers replaced the Braves, I say not "no" but "Hell No" to this idea!

With Seattle, San Francisco, and Cleveland not supporting their teams at the turnstiles, why haven't "you folks back East" (Yankees to us Texans) made a few phone calls instead of trying to make a grandstand media play for the only original Texas major league team, Houston's Astros?

If none of the above work out, then RFK [Stadium] could probably work out a deal with the Cub management and maybe make D.C. the home away from Chicago for the Cubs (41 games at Wrigley and 40 games at RFK). This would sure be okay with us Texans.

CLIFF D. BURNETT
Lubbock, Texas

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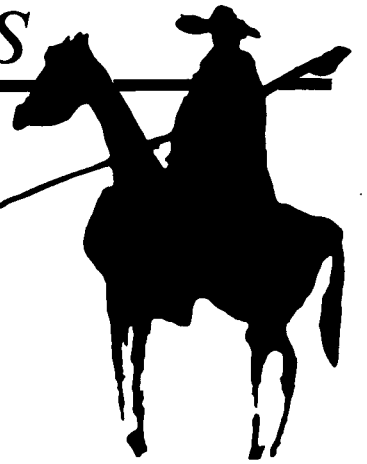
TILTING AT WINDMILLS



Washington is a special place. You know those news boxes that have sprung up on street corners around the country as a way of vending newspapers? Well, in Washington there are two located outside the FCC that sell newsletters. One is called *Communications Daily*, the other is *Television Digest*. Each is yours for $5 in quarters....

I have never been unrestrained in my admiration for Alexander Haig, but it seems to me that his recent criticism of the Libya raid was on target. "Why," Haig asked, "did we go to FB-111's when we had two aircraft carriers sitting right off the target area? Daytime strikes [from the carriers] would have probably been far more precise and would not have risked innocent lives." Haig said the FB-111's were sent on the long night-flight from England so that the Air Force would share the glory with the Navy. Similar inter-service insanity had, you will recall, much to do with what went wrong in Grenada and at Desert One in Iran....

Before Dr. Donal Billig, the Bethesda Butcher, joined the Navy, he practiced medicine in Massachusetts, among other places. After his conviction, on two counts of involuntary manslaughter, one count of negligent homicide, and 18 counts of dereliction of duty, the *Boston Globe* looked into his local history. It found that while he had encountered "numerous problems here, including patient death," he had received "strong letters of recommendation from prominent local surgeons."

What interested me most about the *Globe*'s story was not the sad talk of doctors lying to protect one of their own, which had already become a familiar part of the Billig story from the other places he had practiced. Instead I was struck by the way a couple of the references, while not daring to say anything downright negative, did manage to leave a question in the mind of a careful reader. One said that Dr. Billig's Navy assignment would give him "the opportunity to surpass anything he has accomplished in the past." Another said, "Don exercised tremendous energy, was very well-read, and contributed greatly to our conferences."...

Is it true, as some critics contend, that *The New York Times* caters to the affluent? Certainly I do not want to rush to judgement on this matter, but I did notice a recent front page article in its Home section called "The First House" with a subhead that proclaimed "Many young couples find they can now afford the house of their dreams." The first example cited by the *Times* was of Steven and Cherie Starkman who had just bought a house in Englewood, New Jersey, for "more than $200,000"; the last example was Kevin and Lucy Kennedy who had found their affordable house in Greenwich, Connecticut for a mere $305,000....

Could tax reform cause a stock market crash? It just might if a recent analysis of long-term capital gains by Ben Branch in *Barron's* is right. According to Branch, "almost everyone would pay a much higher rate on long-term gains under the Finance Committee's bill." For example, he points out, a joint filer with $35,000 in taxable income who now pays 11.2 percent would have to pay 27 percent under the Senate bill.

When this sinks in on the public, it seems likely that there will be a rush to unload stocks now so as to avoid the heavier tax next year....

I would like to see the capital gains tax break dropped for trading in existing assets but retained for new investment that produces new jobs and economic growth. If you don't think we need to encourage new investment, consider these recent headlines from Jane Bryant Quinn's widely read column "Staying Ahead," and from the equally widely-read

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Money magazine: "Think Twice Before You Take The Plunge on New Stock Issues" and "Why Initial Public Offerings Are Bad Bets." The latter's subhead said that "fledgling stocks as a group aren't worth their chilling risks."

Don't you need some strong encouragement to put your money into this kind of investment? And what's wrong with using the internal revenue code to give you that encouragement?

Over the years, many people have understood the need to use the tax laws to encourage new investment. That's why we have special breaks like the investment tax credit and the accelerated depreciation allowance in addition to the one for capital gains. Unfortunately, these breaks were too broad or have been perverted so that they no longer serve their original goals with any precision. But isn't it possible that, instead of eliminating all breaks, we could seek to make them serve more precisely the social and economic ends we want accomplished? This is where I disagree with Bob McIntyre whose article on tax reform appears in this issue. The present reform proposals in effect throw up their hands and say "intelligent distinctions can't be made, we can't distinguish between the break that is desirable and the one that isn't."

It is this failure to make distinctions that I think should concern us in all areas of government.

The examples of government's failure to make distinctions that are most familiar to readers of this magazine are Social Security and military retirement. Why waste Social Security on the rich? Why permit everyone in the military to retire after 20 years when the whole idea of early retirement was to provide only for those whose service was physically arduous or dangerous and whose number is now only about 10 percent of those retiring.

Similarly, on military expenditure, we need to distinguish between weapons we need and those we don't. Yet the government way is to discuss increases or decreases in the defense budget as percentage additions to or subtractions from the total. This is the way David Stockman and Caspar Weinberger argued. To me the most depressing thing about Stockman's recent book is his lack of any sense that this was the *wrong* way to argue, and that, instead, he should have gone after the weapons that didn't work or weren't needed.

Another area where we desperately need distinctions is in the compensation of federal employees. Most are now adequately paid or overpaid. If you doubt this, all you have to do is check the figures on how few leave government employment for those jobs in the private sector that government employee union officials always tell us are more lucrative. Yet there are some government employees who are underpaid—electrical engineers and computer scientists are current examples of people the government is finding it hard to recruit or retain—and who should be paid more. There are also government employees who perform so outstandingly that they deserve raises far above those given their fellows—yet 99 per cent of those eligible for the annual merit increase get it without regard to merit, and all of them get the same dollar amount as others in their classification.

Government fails to make these distinctions for two reasons. One is that, as in the case of Social Security, a benefit is extended to people who don't need it in order to get them to support it for those who do. The other is that making distinctions means taking responsibility—and blame—for evaluating and choosing. Better to give the raise to everyone, the bureaucrat reasons, than to suffer the complaints of those who are denied the increase, even if they didn't deserve it. There are, however, a few signs that the government can learn to distinguish, and do so successfully. When I started traveling for the government in 1961, we got $12 a day. This was far too little to live on in New York but, unbelievable as it may seem today, was more than I needed in many smaller cities. Today the government has a sliding scale depending on the local cost of living—ranging from $56 in Pierre, South Dakota, to $83 for Harrisburg, Pennsylvania, to $126 in New York City—which is both sensible and fair, and widely perceived as such by federal employees.

Making this kind of distinction could make a real difference in our lives. Suppose, for example, that federal and local tax policies had given special encouragement to the construction of low- and middle-income

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apartments in New York during the sixties and the seventies instead of encouraging the proliferation of office buildings and expensive hotels? Suppose during the seventies, when the price of a house shot beyond the means of the average young couple, the mortgage interest deduction had been permitted only for new housing? In each case, the increased supply would have brought the price down to reasonable levels and the quality of life for the average person would have improved.

One of the areas where making distinctions is most important is in our treatment of the elderly, not only in what we provide through Social Security, but through Medicare and Medicaid as well. It is becoming increasingly clear that those in their sixties and seventies don't need our help nearly as much as those who have reached their eighties and beyond. More than a third of the latter need help with the daily task of living. We also need to distinguish between the need for hospital care, which is not a terrible problem now, and the need for nursing home care, which most definitely is a terrible problem. In 1984, the elderly and their families spent $12.9 billion of their own money on nursing home care and another $3.5 billion for visiting aides, therapists, and housekeepers in their own homes. In comparison, they spent only $1.7 billion for hospital care. Yet most of the private insurance that is available to them covers only hospital care, meaning that the government must do more to help people pay for a nursing home....

If you doubt that competition helps the consumer, consider a recent study by the Federal Trade Commission which found that new car buyers pay more in states that have laws restricting the opening of new automobile dealerships than in states that don't have such laws. Unfortunately, 36 states now have them....

"The best way to judge the effectiveness of a teacher is to see how he or she performs in the classroom. Some states have decided that they're going to use a paper-and-pencil test as a shortcut to judge teacher performance. That's a bad use of tests and unfair to the teacher. What you're trying to get from a teacher is not only what goes up on the blackboard but what kind of inspiration, sensitivity, and dedication that teacher brings to the classroom. No paper-and-pencil test that I know of measures those qualities."

You will not believe who said that—Gregory Anrig, the president of the Educational Testing Service. Anrig went on to express a fear I share, that "the rush to testing is drawing attention away from the need for better supervision and evaluation of teachers on the job."

There is a role for written tests—but it is mainly to make sure that teachers know their subjects. The danger is that written tests of general knowledge, not of specific subject knowledge, will be used to get administrators off the hook on the teacher quality issue. There are already signs that these tests are too easy, with passing rates of 90 percent or better reported in some states. But the central point is that they are irrelevant to what counts: teaching ability and subject knowledge...

If you've been trying to refinance your home lately, you may have encountered the problem of the Unavailable Appraiser. Say the First National Bank gives you a mortgage commitment for 60 days. You feel confident that the commitment will be honored, since surely arrangements can be completed in that time. But wait a minute. There's a little matter of the appraiser. Can you select him? No, the bank names the appraiser, or gives you a list from which you must pick one. Does this mean that since they control his identity they must pay for him? Of course not. He may be their choice, but you pay. That's the first catch. The second is that if the appraiser doesn't get your property appraised during the 60 days, the bank's commitment expires. It doesn't have to give you the mortgage.

Suppose during that 60 days business conditions have changed in a way that the bank can now demand more for the mortgage than the terms it had agreed on with you. In that event, don't you think it's just possible that the bank will signal the appraiser to not rush to complete your appraisal?

I can hear the bank's vice president talking to the appraiser now. "George, you're working too hard. I'm worried about your health. Think of Madge and the kids." Not to mention the First National Bank....

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Have you ever been just a tiny bit suspicious when governors or mayors proudly announce the number of jobs they have brought to their state or city? A magazine called *North Carolina Insight* has come up with a study that confirms your skepticism. It shows that only 47 percent—or less than one out of two—new jobs claimed by North Carolina's Department of Commerce actually exist....

Plummeting oil prices have been great for the economy and a joy to behold at gas pumps, but there's danger lurking. Low prices have boosted our demand for oil—up 3.3 percent this year after having fallen ever since the oil crisis of the seventies—and wrecked the domestic oil industry. Oil companies have slashed exploration and production budgets and staffs by 20 to 70 percent. Imports—especially from the Middle East—are filling the gap in supply. The government predicts imports in 1987 will be 46 percent higher than they were in 1985 and oil company executives are predicting a return to the kind of sharp price swings and tight supply we had in the 1970s—"It's not a question of if, but when," a Conoco executive told the *Wall Street Journal.*

One defense against another crisis is the Strategic Petroleum Reserve (SPR), a series of vast underground storage facilities the government has been filling with crude oil since the mid-1970s. The idea of the reserve is to have enough oil on hand to sell on the market when spot oil prices rise suddenly—as they did, for instance, after the Iranian revolution.

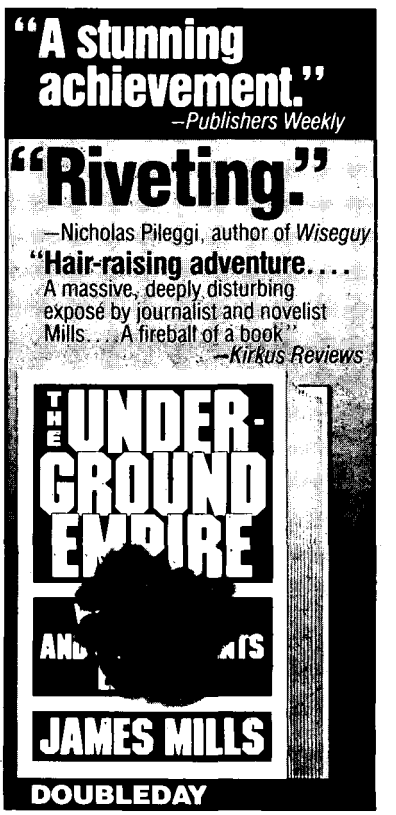
As originally planned, the SPR was to be filled to 750 million barrels by 1991. But, the DOE plans to stop filling the reserve in July, when it will hit 502 million barrels. The administration's rationale is that this amount is more than enough to supply the U.S. for 90 days should imports be disrupted. That's true, but only at present import rates. If imports rise, as expected, we're going to need the extra 250 million barrels.

The administration's real motive for not filling the reserve is budgetary. It wants to reduce the deficit without cutting defense or raising taxes. But even the green eyeshade people at the GAO think this policy is senseless. They point out that we've already spent $18 billion filling the SPR with oil at $28 per barrel. Now, with the price roughly $12 per barrel, we're going to stop? If we need the oil, why not buy it now, while prices are low?

The same consumer logic applies to the administration's plan to sell the Naval Petroleum Reserve—a collection of government-owned oil fields. If we should sell these oil fields—and it is certainly arguable that we should not—why not wait and get a better price? Because a government strapped for cash does dumb things. For instance, it recently promised to sell refineries the oil we pump from the reserve at $6 per barrel or more below present market rates—at a loss to the federal government of 55 to 60 million dollars....

The next time your plane is getting ready to land in a thunderstorm you might be interested in what the GAO found out when it investigated the Dallas air traffic controllers' failure to warn that Delta jet last August of violent wind shears in the vicinity of the airport. It seems that weather warnings from the National Weather Service come over a wire similar to a telecopier or facsimile machine and are passed from one controller to another. At the Dallas-Fort Worth Airport, according to the GAO, this procedure takes 23 minutes to complete...

There are many good reasons to criticize defense



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spending, including that we shouldn't waste money on weapons that don't work or aren't needed. But one that liberal critics have long used, that defense spending doesn't create as many jobs as non-defense spending, may be wrong. An impressive study by Gordon Adams and D.A. Gold of the Defense Budget Project shows that not only does defense spending "not create significantly different numbers of jobs," it is not, as liberals also like to argue, uniquely inflationary. All that doesn't mean that we shouldn't still be against unnecessary defense spending. It just means that we shouldn't use phony reasons to make our case....

You already know about the grazing permit racket under which western ranchers get bargain permits to graze their herds on public lands. If these permits were given at fair market value, the government could collect from $500 million to $700 million more than it does now. The myth that supports this practice is the picture of a grizzled old rancher who just couldn't keep his beloved sheep any longer if we took his permit away. But what most people don't know is that the grizzled old rancher has often sold his sheep and is living it up in a suite at the Brown Palace Hotel in Denver. How? Because he subleases his permit at anywhere from three to eight times what he pays for it....

Richard Essen is a Miami lawyer who specializes in helping drunk drivers avoid jail. A demonstration of his technique came in a recent case of a driver who, with a blood alcohol level indicating that he had consumed six drinks, wrecked his car and killed one of his passengers. Essen did not dispute the wreck, the death, or the drunkenness. Nor did he challenge the accuracy of the blood test or the competence of the nurse who administered it. He won his case because he found the nurse's license had expired before she administered the test. For that reason alone, the drunk escaped punishment.

"I had an old friend, a college professor, come up to me and say, 'How could you defend people like this? I thought you were a man of integrity,' " Essen recently told the *Wall Street Journal*, adding, "My daughter says, 'Daddy, how can you defend these people?' "

The reason just might have something to do with the Mercedes Essen drives to work. Other examples of the Mercedes-driving lawyer and the rationalizations he makes can be found in "NORML's Bad Trip" p. 11....

Speaking of lawyers, the *National Law Journal* and the *New York Law Journal* must have made a bundle on a conference they sponsored this June in New York called "Clients Speak." Here's what it offered:

"More than 25 corporate leaders and prominent general counsels will be on hand to represent the client's perspective...and you and your colleagues are invited to help participate in this unique forum where you will have a chance to listen, question...*and meet the individuals responsible for the spending of millions of dollars of legal fees.*"

The words after the ellipses were not italicized in the original. They did not have to be. I understand my brethren at the bar well enough to know that in their minds the message flashed in neon and sang with the sweet sound of the ambulance siren. No wonder the sponsors thought they could get away with a registration fee of $795....

Earlier in this column, I mentioned how we had given Social Security to those who don't need it in order to bribe them to support it for those who do. Aren't we doing something very similar with the tax bill by lowering the maximum rate from 50 to 27 percent? Aren't we once again bribing the rich to support reform? Is this the right way to run a country?...

My wife and I were recently notified that we had overpaid our taxes and got a refund check. Accompanying the check was this notice:

"If you cash the check and it is later determined that you were not entitled to it, you may be charged interest from the date of the refund to the date repayment is received."

Why did the IRS send us a refund if they had not determined we were entitled to it? If there is doubt, why send the check? We hadn't asked for it. When will the IRS finally decide that the money is ours? Next week, next month, next year, never? Should we hide the check under the mattress until then?...

—*Charles Peters*

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NORML's Bad Trip

In this case, pot led to harder drugs

by Amy Cunningham

Last December some 200 defense lawyers gathered at the Holiday Inn in Key West, Florida, to learn how to help the other side in the War on Drugs. They discussed the best legal strategies to defend cocaine smugglers and distributors: how to spot a juror with a soft spot for drug smugglers, how to combat the government's use of informants to crack dealer networks, and how to make narcotics agents look silly on the witness stand.

For $475, lawyers enrolled in workshops and hobnobbed with the conference's guest speakers, including several of the biggest drug lawyers in the country. There was Albert Kreiger, the Miami-based defense attorney for reputed mobster Joe Bonnano and Carlos Madrid Palacios, alleged security man for Jorge Ochoa, who once was the world's fourth largest cocaine dealer. (A state's witness in the Ochoa case was murdered last February). There was Howard Weitzman, who has since received a mansion as payment for his successful defense of John Z. DeLorean. Michael Stepanian, lawyer to many coke dealers and celebrity drug offenders including the Grateful Dead, also spoke, this time more subdued than he was the year before when he called U.S. Attorneys "young scumheads" and judges "disgusting pieces of shit."

This conference on "The Cutting Edge of Criminal Defense" was sponsored by the National Organization for the Reform of Marijuana Laws (NORML). Remember them? They gained attention in the early 1970s by nobly defending high school kids about to spend ten years in the penitentiary for lighting up a joint. They were the respectable pro-drug group, with supporters like Julian Bond, former attorney general Ramsey Clark, Senator Jacob Javits, Dr. Benjamin Spock and Bishop Walter Dennis of the Diocese of New York. They are also the group that scoffed when government authorities warned youngsters that marijuana would lead to "harder stuff."

In their own case, it did lead to harder stuff. One-third of NORML's budget now comes from these conferences that are geared toward helping lawyers defend mid-level mobsters. Drug defense is a high-stakes subspecialty of the law these days, and drug lawyers profit hugely from the illegality of cocaine. The lawyers attending NORML conferences discuss defenses for users of small amounts of marijuana, too, but the big money and interest is not in the ex-hippie who grows pot in his backyard, but the automatic-weapon-carrying hoodlums of Bolivia and Colombia who dust our urban ghettos and discotheques with cocaine.

Why do NORML lawyers go to bat for large-scale drug traffickers? "Oh, the excitement of being in the big leagues is the interest," says Peter Meyers, who ran NORML's legal program in the 1970s. "And the money. And the power of being able to fuck with the government. If you're an achiever, those are the things you're after."

In the realm of the senses

Back in the early 1970s, when teenagers were getting several-year sentences for possessing a marijuana cigarette, a young lawyer from

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southern Illinois named Keith Stroup decided to act upon his belief that grass wasn't so bad. Stroup founded NORML, and started telling people how dumb it was to send young pot smokers to jail. One of the people he told was Hugh Hefner at Playboy, who believed that marijuana had put him in touch with "the realm of the senses." Hef had discovered a whole new dimension to sex through pot. So he helped launch the group with a $5,000 donation in 1971 and continued giving from $40,000 to $100,000 annually for nearly ten years. Stroup hired a small staff, leased a Washington office, set up a legal committee with the help of former Attorney General Ramsey Clark and three other prominent attorneys and started getting publicity for right-to-privacy cases. NORML was also paving new ground by promoting studies that said marijuana didn't cause all the problems of the 1960s.

In 1975, NORML lawyers got a model ruling from the Supreme Court of Alaska which gave adults the right to possess and cultivate marijuana for personal use in the privacy of their homes. In 1977 they helped defend, unsuccessfully, Brian Kincaid, 21, a decorated Vietnam veteran who was arrested for possession at the University of Idaho and spent several months in jail. NORML's most publicized case came up in 1976, when 19-year-old Jerry Mitchell of West Plains, Missouri, was sentenced to 12 years for selling an agent one-third of an ounce of marijuana for five dollars, and assisting in the sale of a pound of pot. Keith Stroup and Michael Stepanian got the sentence reduced to seven years, not much of a victory for Mitchell, but a great publicity boon for NORML. "In the early days, our suits were successful even when we lost because by using the media, we were able to bring in expert witnesses, and educate judges on how marijuana was really not that dangerous," says Peter Meyers.

NORML's income grew from $87,000 in 1972 to $450,000 in 1978. Members paid $70,000 in dues annually. Ads in *High Times* magazine also brought in money. A few liberal philanthropists came into the fold; Stewart Mott donated $12,000 or so over the decade, for example. Stroup knocked himself out to collect a respectable board of advisors—all believers in decriminalization, and all still listed on the letterhead. Nevertheless, NORML was habitually broke, for Stroup was in the habit of spending 10 percent more than he collected. When desperate, he accepted donations from drug dealers. In 1976, for example, he took $10,000 from "The Confederation," an alliance of marijuana growers and distributors.

Diamond Joel's $500 shoes

Around this time, the group did what political organizations do best—it split into factions. It was, as Stroup biographer Patrick Anderson wrote in *High in America*, the "classic conflict between middle-class reformers and the people who thought they were fighting the revolution," that is, the professional pre-yuppie lawyers against the tie-dyed peace 'n love hippie activists. The hippies were mostly interested in legalized grass and wanted NORML to back initiatives permitting backyard pot cultivation. They were far less impressed with the entrepreneurial schemes of the professionals who wanted to sell marijuana-related paraphernalia, like match boxes and T-shirts and to distribute marijuana through liquor stores. These hippies didn't like the idea of NORML accepting Playboy's corporate money, either.

In the meantime, NORML's maverick lawyers were developing expertise in drug defense procedures that promised to pay off in a way the activists preferred not to acknowledge. Those who'd cut their teeth on simple pot-possession cases were building lucrative practices based on increasingly complicated drug-smuggling cases. When the two groups came together for the national conventions in the mid-1970s they split into separate sessions, the activists rapping about grass-roots movements and pot legalization and the lawyers trading legal stratagems.

Although some of the activists may have been bummed out by the lawyers' direction, they knew that their legal fees were paying for them to hold their conferences in posh Hyatt hotels, building credibility for both groups. So as long as the organization was doing well and they had similar goals, the two factions could stay together. "The drug defense seminars have been a source of frustration, and they've caused some problems within our own ranks," says longtime NORML activist Arlene Dusel, "but it all boils down to economics: where else do you go for money?"

Soon, though, a minor Carter administration scandal jolted NORML. At the fateful NORML Christmas party of 1977, Dr. Peter Bourne, President Carter's adviser on drug policy, made the politically questionable decision to snort cocaine in the presence of several witnesses. Bourne left his White House post in disgrace and Stroup was discredited because he indirectly confirmed the story for one of Jack Anderson's reporters. "From the point of liberalizing drug law, it all went down the tubes at that party," says Mark Kleiman, a former official in the Carter Justice

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Department and now with Harvard's Program in Criminal Justice.

Under pressure from NORML activists who felt he had squealed on Bourne, Stroup left in 1978 to develop his own drug defense practice. In parting, he declared he wouldn't negotiate with PCP or heroin dealers, nor would he represent the drug informants who were turning in their fellow dealers to win leniency. He then launched into defending marijuana and cocaine dealers with all the enthusiasm he'd invested previously in keeping pot smokers out of the pokey.

"Convicted drug dealers," he said, "are actually political prisoners." He counted drug dealers "among his friends," writes Patrick Anderson, "and he felt that in defending them he was in effect defending himself and everyone else in the drug culture. As he saw it, everyone who used drugs was indebted to the people who took risks to supply them."

Without Stroup's leadership, NORML activists weren't getting many personal-use and pot-cultivation initiatives on local ballots. "Our opponents said no one was interested in the issue anymore," said NORML's Deputy Director Jon Gattman. It seemed most of the changes NORML originally sought had been made; few middle-class smokers were getting arrested for possessing small amounts of pot. Eleven states, accounting for one third of the U.S. population, had totally decriminalized the use of marijuana, making an infraction the legal equivalent of getting a parking ticket. Thirty other states enacted "additional discharges," under which first offenders get slapped with six to twelve months of probation and no record at all if the probation is successful. Only Nevada still treats marijuana possession as a felony.

As the marijuana laws changed, large donations to NORML slowed down. Hippies weren't leaving quite as many dimes and quarters at the head shops either. And in 1982, Playboy pulled out. "NORML was going through some leadership changes and they didn't have their act together enough to be real concerned about putting more money into it at a time that was tight for us too," says Playboy Foundation director Cleo Wilson.

NORML's advisory board—a hodge-podge of statesmen, lawyers, activists, a clergyman and one fellow listed as a sheriff who hadn't been a sheriff in five years—went dormant. Julian Bond, Ramsey Clark and Benjamin Spock limited their involvement to consenting to be on the stationery. The only philanthropist still sending checks is Max Palevsky, who still thinks kids commonly get thrown in jail for holding a joint of marijuana. "They call and ask for help on specific projects, and I send some money," he says. "I guess I'm the last, old tired soul doing that. But there's a big difference between cocaine and marijuana and I let them know how I feel about that." Nevertheless, he has sent $10,000 to NORML so far in 1986.

By 1980, the only people with any energy left were the drug defense lawyers who showed up at the conferences in ever nicer suits and bigger cars. Indeed, the legal committee was becoming an impenetrable old-boys network. Mega-drug lawyers like "Diamond" Joel Hirshhorn, who earned about $750,000 in 1984 and refused to take cases involving less than two tons of marijuana or four kilograms of cocaine, came up from Miami to speak at the seminars, bringing with them a whole new kind of big-time cocaine defense contingent.

Activists heard less and less talk about reforming the drug laws. "There was never any talk about how the attorney could continue to be a reformer," says former activist Jeanne Lange. "Nobody ever said to the drug lawyers, 'Hey, we know you're wearing $500 shoes now, and we know you're busy, but could you take the time to meet with the activists in your state? Maybe just for an hour? Maybe it would inspire you.' "

The tension grew until 1983, when both contingents spoke of disbanding the organization. Some of the angriest activists believe that NORML's lawyers were no longer in a position to change the drug laws since their livelihood depended upon them. Kevin Zeese, then the legal committee's chair and now national director, supported the motion to split up. Advisory board members prevailed and both factions were encouraged to forgive and forget.

NORML's pro Bonnano work

Today, NORML's debt has dropped from $125,000 with a budget of $190,000 in 1981, to $20,000 with a budget approaching $300,000 this year. "If I were to name one thing that really pulled NORML out of debt, it would be these drug defense seminars," says Zeese. Going to the drug lawyers for money made sense "because their pockets ran deepest." NORML also makes about $10,000 a year with its newsletter "Drug Law Report" that has 1,500 subscribers, and they have just recently gained 501(c)(3) tax status making contributions to them tax deductible, a cause of considerable inner-office excitement. Zeese is working on a book entitled *The Drug Defense*

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My life would be easier without these damn cases," explains Larry Turner, "but it's definitely easier to be liberal when you're rich, you know."

Manual for Practitioners which is designed "for the attorney defending all ranges of drug cases."

The new NORML is not made up of Jerry Garcias or Abby Hoffmans. It is made up of the likes of Gerry Goldstein of San Antonio, currently defending Danny Vilarchao of Miami who is charged with selling agents four kilos of cocaine with the promise of 160 more. And Jeffrey Weiner, a Miami lawyer who is a member of the illustrious "boat bar," which means he shows up the morning after a dozen or more shoeless, penniless Colombians are busted on a boat load of cocaine or marijuana, and elects to represent them all. "Generally, he'll be on retainer for whoever's load it was," says U.S. Attorney Richard Gregory. And it is made up of men like John Zwerling, one of three big NORML lawyers in Virginia who regularly defend coke smugglers. One distributor he recently defended, Gardner Crisp, is appealing his conviction for participating in a two-year drug ring which allegedly smuggled one kilo of cocaine a week into Newport News, Virginia.

With the $90,000 NORML annually earns teaching legal tricks to Weiner and company, the organization does try to address some legitimate issues. It publishes material on marijuana and health, convinces the Drug Enforcement Administration to file environmental impact statements on the spraying of paraquat, and pushes home-grown pot initiatives. Most recently, it has been pressing the Justice Department not to allow employee urinalysis testing. Moreover, they have raised important constitutional questions about the government's efforts to get some drug lawyers to testify against their own clients. But it is questionable whether an organization surviving on the profits of the drug trade can be a credible voice in these debates.

Yet NORML is not about to give up its drug-lawyer education project. Sitting in NORML's Washington office, Zeese reflects on this new formula for success. "The only way to stop drug traffickers is to legalize drugs," Zeese says. "NORML wants to put the traffickers out of business." NORML's principal way of putting traffickers out of business, however, is not lobbying against cocaine laws but teaching dealers' lawyers how to beat drug raps.

The rationale becomes more curious as Zeese tries to explain it. He makes a distinction between NORML's drug lawyers and "sleazy" drug lawyers. "There are drug lawyers out there making big profits off defending big dealers, and they don't really care what the issues are. But our lawyers are ethical guys who believe that the laws should be changed even though they are profiting from the law." A lawyer is "sleazy," then, when he defends wicked mobsters for the money but "ethical" when he does the same thing not just for money, but the principle too.

At this point NORML lawyers usually turn pragmatic and claim that they need the cocaine dealers' money to subsidize their good work. "The people that need NORML and use NORML are the lawyers who are interested in law reform issues," says NORML lawyer Jim Jenkins of Savannah, Georgia. "Sure, they take some high-profile drug cases, and they charge big fees on occasion. But every one of those guys is also doing some pro bono work for some kid who's getting gobbled up for selling an ounce of marijuana in a rural area."

He therefore can defend Emanuel Lewis Fleming, son of a major cocaine kingpin (both of whom pleaded guilty in a cocaine conspiracy case and are now doing time in the penitentiary) because it enables him to take on the much more palatable case of a "man [who] owns a restaurant in St. Augustine, Florida, has a three-year-old child, and has never been convicted of a felony before." The defendant in the more noble case was recently sentenced to 25 years for smuggling 17,000 tons of marijuana.

Some NORML lawyers take the argument a step further, suggesting that lawyers make a killing defending the drug dealers as a backhanded way of sticking it to the bad guys and helping the cause of pot legalization at the same time. "We gouge the drug dealer in order to do good pro bono," asserts NORML lawyer Larry Turner, "because our roots are really in pro bono, and in the anti-war movement, and in civil rights issues."

NORML's past is indeed rooted in the 60s counterculture; even the inside of its Washington office reflects this. The decor is Early College: there's catnip in a grow-light booth by

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the window, a complete set of back issues of *High Times* on a shelf, hashish ads from India on the walls near a few cartoons mocking Attorney General Edwin Meese's trips to California to confiscate domestically grown marijuana (which NORML claims is this country's largest cash crop). But peel back the hippie decor and the NORML lawyers' rationalizations seem quite at home in 80s Washington. They're hardly different from the claims of "liberal" law partners in Washington that say the pro bono work they do for charities in their spare time somehow justifies their collecting huge fees for such things as helping corporations avoid paying taxes. But abandoning your professed ideals for sleazy work 90 percent of the time so you can afford to champion them 10 percent of the time, only makes you about 10 percent less sleazy than your competitor who possesses no ideals at all.

Some NORML defenders say that their support for the drug dealers arises out of a principled opposition to drug laws that has always been part of the group's creed. One wonders why, if this overarching belief was such an important part of their tradition, they rarely mentioned it in the early 70s when they were gaining respectability. Would Jacob Javits and Benjamin Spock really have given their names to a group they knew wanted to help Jorge Ochoa or Joe Bonnano?

When all else fails, NORML lawyers reach for the even-bad-guys-deserve-good-lawyers argument. "My stand on coke dealers," says Larry Turner, "is okay, convict 'em, send 'em to jail, but let's be sure they have their day in court, and let's make sure that wiretap was legal." There's merit, of course, to this argument. We're right to admire the public defender who makes sure the poor get legal representation and the American Civil Liberties Union when it's making sure constitutional rights are not violated. The same should hold true when NORML lawyers take cases when they, too, fear someone's civil rights have been trampled on.

But there is a difference between saying every thug should have a lawyer and saying that one should be the lawyer for every thug. Just because the accused in this country are entitled to legal representation doesn't mean lawyers can't make judgments about whom they should defend. Ultimately, one can't help feeling that a belief in the "adversarial system" isn't *really* the reason the NORML lawyers got into this profitable practice. "My life would be easier without these damn cases," explains Larry Turner, "but it's definitely easier to be liberal when you're rich, you know." ■

THE WASHINGTON MONTHLY

Journalism Award

for April 1986 is presented to

William Greider
Frontline

"The Disillusionment of David Stockman"

In this interview, William Greider once again demonstrates his ability to elicit far more candor from former Office of Management and Budget Director David Stockman than anyone else—including David Stockman.

The **Monthly Journalism Award** is presented each month to the best newspaper, magazine, television, or radio story (or series of stories) on our political system. Nominations for any newspaper, magazine, or radio or television station in the country are welcome. The subject can be government in its federal, state, or municipal manifestation.

The award for stories published or aired in May will be announced in the September issue. Nominations will close July 15. Nominations should be accompanied by two copies of the story or stories.

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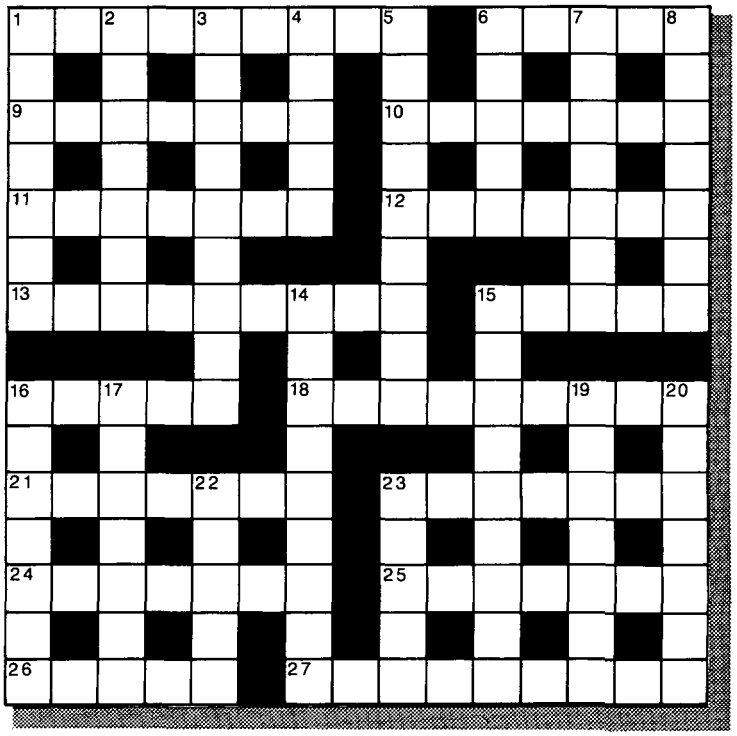
POLITICAL PUZZLE

by John Barclay

The numbers indicate the number of letters and words, e.g., (2, 3) means a two-letter word followed by a three-letter word. Groups of letters, e.g., USA, are treated as one word.



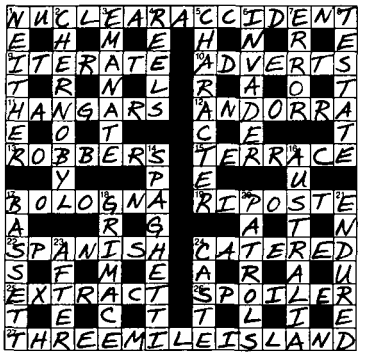
ACROSS

1. First universal American Red Cross again confused country. (9)
6. Southern light coming back confused another country. (5)
9. Child almost surrounded this evening. (7)
10. Deduction claimed erroneously. (7)
11. Politically prominent draymen? (7)
12. Loyalist makes Irishman laugh. (7)
13. Disturbed re sadists' misfortunes. (9)
15. Bovine guide. (5)
16. Rise to prepare skin in South Dakota. (5)
18. Flesh-peddlers reveal North-South differences. (9)
21. Native Democrat in middle of nice mess. (7)
23. Alas, German first lady follows one to succeed. (7)
24. Doctors take in more fashioned windows. (7)
25. Touching sun fellow. (7)
26. Directed company pastureland? (5)
27. Left in great champion. (9)

DOWN

1. Acknowledged lukewarmly? (7)
2. Opposition force manufactured cartons. (7)
3. Went back to artificial senior degrees. (9)
4. Clumsy stage exits. (5)
5. Military assignments stop Mary's composure. (4, 5)
6. Former Middle East figure met about prosecutor. (5)
7. Get chopped ice in French dream. (7)
8. Best astral display about 50. (3-4)
14. Made up cerise sex practices. (9)
15. Collide with little Japanese religion. (5, 4)
16. Law violator coming up about oceans. (7)
17. Director soon surrounding hearth implement. (7)
19. Highest point the night before all others. (7)
20. Carefully lets her protect against adversity. (7)
22. Cabinet member is first person to take direction. (5)
23. Carry on play part with bat. (3, 2)

Answers to last month's puzzle:



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WATCHING THE WATCHDOGS

ARE THEY BARKING UP THE WRONG TREE?

It was a watchdog's dream. The largest coal sale in American history had been botched: sensitive data leaked by Interior Department employees to coal company officials had driven down the price of the coal, costing the government $46 million. Congress knew the agency had bungled the sale. The press had written about it. There were plenty of leads. All Richard Mulberry, the inspector general (IG) at Interior, had to do was tie the loose ends together. Heads would roll.

None did. The leak was discovered in May 1982, but Mulberry didn't open an investigation until April 1983. It lasted 16 days. Despite evidence to the contrary—evidence that, ironically, was included in the appendix of the IG's report— Mulberry concluded there had been no leak. The brevity of the investigation was no coincidence: the whitewash was released on the morning then-Secretary of Interior James Watt was scheduled to defend his department before a congressional committee.

It isn't supposed to work this way. Inspectors general are supposed to hold the line against waste and fraud: if a department is flabby, the red tape messy, or if the boss has a hand in the till, then it's time for the inspectors general to enter—slashing. At least that was what Congress had in mind when, in 1978, it mandated that most major departments establish an IG office. Unfortunately, the reform has not always lived up to its promise. As the Mulberry example shows, it is difficult to legislate diligence.

Diligence is especially important now. The Reagan administration is resorting to extreme measures to keep unpleasant information from becoming public. The president has imposed lie-detector tests on hundreds of thousands of government employees. Two government employees have been fired for squealing. A former naval intelligence analyst has been convicted of giving spy satellite photographs to a magazine. While the government must aggressively prosecute those who divulge information that compromises our national interest, this crackdown is likely to squelch information about corruption and mismanagement as well. If those leaks are plugged, then Congress, the press, and the public will be forced to get their information from those charged with identifying the problems. In most government agencies, those charged with that task are the inspectors general.

John Eisendrath is an editor of The Washington Monthly. *Anne Harrison assisted with research for this article.*

The crook who brought us IGs

Fraud and waste have always been a part of government, but inspectors general have not. The person we have to thank for the billions of dollars the IGs have saved since they were mandated by Congress is small-town Texan and big-time swindler Billy Sol Estes. From 1951 to 1962, Estes built an empire by cheating on a number of government programs including cotton allotments, surplus housing sales, and the construction of farm storage facilities. According to a 1965 report of the Committee on Government Operations, the main reason Estes was able to swindle the government for so long was because of the uncoordinated manner the federal government went about investigating him. During the 1950s, Estes was investigated by the Departments of Justice and Agriculture, by the FBI, and by a number of private investigators. The committee concluded there was "a serious lack of effec-

by John Eisendrath

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tive coordination" among government auditors. The first recommendation made in the committee's 437-page final report was that the "President authorize and direct a comprehensive review of Federal audits and investigative activities." The upshot of the report was modest: an inspector general office was set up in the Department of Agriculture. The office was not carved in statute, however, and in 1974, without giving any reason in particular, then-Secretary Earl Butz abolished the office.

At that time every auditor and investigator in the federal government operated under equally tenuous terms. Without statutory protection, watchdogs served at the mercy of the department secretary; if they submitted just one unpleasant report too many, they could be fired. The result was that few substantive investigations were undertaken. At the Commerce Department, for example, before there was an IG, auditors looked only at outside grants and contracts. "These were insignificant compared to other in-house programs," says Jill Gross, who works in the Department's IG office. "But no one wanted to look at those because of what their bosses might do."

Butz's action coincided with a tip received by a Government Operations Committee staff member that not a single HEW program was being properly monitored. The committee, which among other things evaluates the need for watchdogs, mobilized: in 1975 it opened an investigation into the audit and investigative divisions operating within HEW. What the committee found was a government that was much larger and more complex than it had been a decade earlier. Lyndon Johnson's Great Society had woven the federal government into the fabric of every city and county in America. When the committee began to examine that fabric, it found the thread of oversight to be woefully inadequate. HEW had more than 129,000 employees and a budget of more than $100 billion, but it had only ten investigators and a ten-year backlog of uninvestigated cases. An investigation two years later found that the Department of Transportation had only six investigators to detect fraud and abuse in its $6 billion highway program.

This appalling lack of oversight was no coincidence: agency administrators did whatever they could to keep auditors out. A General Accounting Office (GAO) study found that audit organizations had little success in obtaining added resources. Between 1973 and 1978, 21 audit organizations requested a total of 3,084 additional staff members. Their agencies approved only 1,242—about 40 percent. More than half the remaining slots—638—were lopped off by budget cutters at the Office of Management and Budget.

Congress started to peck away at this problem in 1976. An inspector general office was started at HEW. In its first report, the IG office concluded that the department wasted at least $6 billion every year. That was all Congress needed to know: the Inspector General Act of 1978 made IGs mandatory in 12 major departments. Congress wanted independent IGs. They became presidential appointees. No longer could a department secretary, upset with unpleasant information, fire the IG and disband the office. Even the president is checked. Before firing an IG the president must explain to Congress the reasons for his action.

The legislation was fought by every department. None welcomed a watchdog. A number of major departments, including Justice and Treasury, were exempted. The Defense Department was not forced to have an IG until 1982. Despite such opposition, there are now 19 statutory inspectors general.* More than 23,000 auditors and investigators work for the IGs, and their budget this year is $342,828,000. In 1984, the last year for which statistics are available, the inspectors general conducted 20,339 investigations and 40,748 audits. A sampling of report titles includes: Budget Officer Diverts Government Funds for Personal Use; Major Welfare Scam Uncovered in California; Bid Rigging Convictions Result in Civil Recoveries. It is not idle copy: in the last five years the IGs have ferreted out more than $55 billion in waste and corruption.

Chauffering the lap dogs

Obviously, most inspectors general are not as pliable as Interior's Richard Mulberry. Many go toe-to-toe with the department secretary. The first two actions Sherman Funk took as IG for the Commerce Department were to cut back on waste in the executive dining room and to tell the secretary, Malcolm Baldrige, not to charter private planes for recruiting trips. These actions probably didn't save the department much money, but they sent an important signal: the boss is a target of the IG, and so is everyone else.

**The agencies and departments with statutory IGs are: Agriculture, the Agency for International Development, Commerce, Defense, Education, Energy, the Environmental Protection Agency, the General Services Administration, Housing and Urban Development, Health and Human Services, Interior, Labor, NASA, the Office of Personnel Management, the Small Business Administration, State, Transportation, Treasury and the Veterans Administration.*

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"The name of the game in the IG office is to make contacts," says one State Department auditor. Asking tough questions, he says, is like "shooting yourself in the foot."

Unfortunately, this signal is transmitted less often than it should be. Consider the State Department IG. Started in 1980, it is just the kind of office Congress wanted to avoid. Half the auditors and investigators in the IG office are rotating foreign service officers. They spend only two years in the IG office. As a result, practically all decisions concerning their promotion and future assignments will be made by people they are expected to audit during their brief two-year tenure with the IG. Foreign service officers readily admit this arrangement is awkward: eight out of nine auditors who rotated through State's IG office told the GAO they could not be independent. "The name of the game in the IG office is to make contacts and get a good assignment when you leave," said one. Asking tough questions, he said, is like "shooting yourself in the foot."

Most State IG investigations aren't even conducted by the IG office. The department's Office of Security handles the bulk of the load, and the security officers doing the investigating—most of which concern problems in embassies and consulates—are answerable to the chief of mission and receive performance appraisals from senior post officials. A few years ago, a security officer was asked to investigate the deputy chief of mission and the ambassador at his post. According to the GAO, he was subjected to "verbal and cryptic" threats from officials implicated in the investigation. He was told that he was going to pay for his involvement in the investigation and that his career with the department was dead. The harassment was so bad, the officer had to transfer to another post.

Another security officer had his confidential memos concerning an investigation stolen and distributed to those implicated in the investigation. Still another was told by his superiors that he could not cable headquarters with his findings because they did not want their "dirty laundry" seen by everyone. "President Reagan says he wants his IGs to be as tough as junkyard dogs," said Christopher Manion, a staff member for the Senate Foreign Relations Committee. "But at State they've been more like lap dogs than junkyard dogs."

Last July, Congress passed a law that was supposed to change all that. It mandated that a second IG office be set up at State with a permanent staff that would conduct its own investigations. It has been a year now and nothing has changed. The State Department is embarking on a potentially waste-filled $4.4 billion program to fortify U.S. embassies. (One example: the granite used to fortify the embassy in Oman *must* come from Vermont.) One would hope that with such a huge program being started that officials would want to monitor closely how the money is spent. Not so. After Congress made it clear that it wanted a more independent IG, Secretary of State George Shultz wrote lawmakers that due to budget constraints imposed on him by the Gramm-Rudman-Hollings Deficit Reduction Act, any change in the IG structure is out of the question. But according to the Office of Management and Budget, a dollar spent on IGs is $40 saved by the federal government. Apparently Shultz hasn't read the report.

In certain departments, the inspectors general can be blood hounds and they still won't be effective because they're forced to rely on suspect data. For instance, of the 19,400 auditors working for the Defense Department, only 900 work for the IG. The vast majority work for various internal review groups, none of which enjoy the statutory independence of an IG, who has the ability (in theory) to investigate any project and to report findings directly to Congress.

One group that the IGs at both Defense and NASA rely on for information is the Defense Contract Audit Agency (DCAA). With 4,000 auditors, the DCAA is supposed to be leading the charge against procurement fraud in the departments. In practice, the DCAA does nothing of the sort. When the DCAA attempted an unannounced check of Avondale Shipyards Inc., for instance, the defense contractor objected. According to testimony given before the Senate Governmental Affairs Committee last year by the DCAA, it agreed to adjust the conditions of the inspection: the company was given 24 hours notice and the right to approve the agency's questions. No government auditor was allowed to talk with employees. Even if the DCAA was more demanding, it probably wouldn't matter: its recommendations can be overturned by Pentagon

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contract officers who oversee military production.

Another reason the IGs are not sufficiently independent is because the auditors and investigators who work for the IGs are career civil servants. When the offices were set up in 1978, they were staffed with people drawn from the various audit and investigative agencies that preceded the IGs. These were the people who for years protected themselves by tailoring their work to please their bosses. Congress tried to legislate around this problem, but it is intractable. Career civil servants have a stake in the well-being of the agencies they work for. This sets up a paradox: the more waste the auditors and investigators turn up, the more likely it is that Congress will scrutinize their department the next time it comes to trimming the budget. This is fine for the IGs; their careers are not tied to the future of the department. Richard Kusserow, for instance, points with pride to cuts in the Department of Health and Human Services (HHS) Congress has made based on findings he has uncovered as IG. But for the career employees, departmental cuts are much more frightening. One swing of its budget ax and Congress can wipe out an auditor's career. The more vigilant the auditor, the harder Congress is likely to swing.

There is another way the budget can be used to rein in IGs. Consider the problem Sherman Funk faced when putting together his budget for this year. Funk felt his staff and budget were insufficient for him to properly monitor the operation and acquisition of computer systems that at the time were costing the Commerce Department more than $200 million annually. There were more than 900 such systems within the department at the time and Funk felt he needed more manpower in order to make sure the money was well spent and that computers were not sitting in boxes in some hall closet. He noted this in his budget request, and indicated that to be thorough, he would need 12 more auditors and a budget increase of $700,000. Funk sent his request to the department's budget office. It was approved and, according to procedure, sent on to the department's assistant secretary for administration who is in charge of, among other things, the computer systems. More money for Funk meant more scrutiny for the assistant secretary. Sherman Funk didn't get the money.

Did the assistant secretary have something to protect? Apparently he did. Devoting as much manpower as his limited budget allowed, Funk uncovered tens of millions of dollars of waste in the way the department was acquiring its computer systems. One example: on February 16, Funk reported that despite identical needs, the National Weather Service and the Federal Aviation Administration were in the process of purchasing two completely separate computer systems. By purchasing one system, the department could have saved as much as $70 million.

When Anne Burford ran the Environmental Protection Agency, she too manipulated the IG by using her budget authority. She demanded that 90 percent of the work done by the inspector general's audit division focus on construction grants. "All our money came from the top," says Charles Dempsey, who was brought in as acting IG at EPA after Burford got into trouble. "Burford could call the shots because she had the leverage." The result: the EPA's IG failed to investigate the controversial allegations of sweetheart deals with industry, political manipulation of funds, and gutted regulatory procedures that were at the heart of the EPA scandals four years ago. In one six-month period during that tumultuous time, the EPA's IG conducted 843 audits. Ninety two percent—776—focused on grants and contracts. Only 3 percent examined internal management problems. "They were unimpressive," recalls one staff member of the Government Operations subcommittee that investigated Burford. "They weren't keen to investigate because of the political pressure." Another reason: Mathew Novick, Dempsey's predecessor as EPA IG, had a unique view of what constituted waste, fraud, and abuse. A GAO investigation found that Novick broke the law on a number of occasions by using his government car and driver to chauffer him to and from work. On at least one occasion, he had his secretary type his son's term paper.

The Black Hole of Justice

Whistle-blowers should be an inspector general's best friend. The incredulous bureaucrat, the honest man willing to risk all for what he believes is right; these are the people government watchdogs should champion.

They don't.

When a Pentagon auditor named George Spanton told the Defense Department IG in 1982 that Pratt & Whitney's government products division in West Palm Beach, Florida, was charging the government excessive travel and entertainment expenses and paying its executives too much, no action was taken. "I told them I could document many millions of dollars of waste," says Spanton. "The [Defense Department] IG told me to

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keep it inside."

Spanton refused. He broke his story to the press, and congressional hearings soon followed. Rather than investigate his allegations, Spanton says the inspector general investigated him for possible security violations.

This gambit is not limited to the Defense Department. In 1983, John Hnatio, a security specialist with the Department of Energy, briefed a congressional investigator on the status of security at U.S. nuclear weapons facilities. Hnatio had already told his superiors all that he discussed with the investigator. No matter. When he told his bosses what he had done, they hit the ceiling. Hnatio was given an official reprimand and threatened with the loss of his security clearance which, considering his position, would have devastated his career. Hnatio asked the department IG to investigate. He was cleared on every count but one: the IG refused to determine whether Hnatio had committed a breach of security. According to Pentagon whistle-blower A. Ernest Fitzgerald, this is a clever way to control Hnatio in the future. "The typical way that information of this sort is handled by the vengeful bureaucracy," Fitzgerald told the congressional committee investigating the Hnatio affair, "is to quietly go. . .to friendly members of Congress, people in the White House, future employers, and say, 'There is a security problem.' "

The reason inspectors general do not champion whistle-blowers is simple: bureaucracies place a premium on conformity. Success is based on playing ball. This is a lesson learned every day—in memos, in how people dress and talk, in who gets promoted. Despite their statutory independence, IGs operate within the bureaucracy in many ways; they work in the same building, for instance, and eat in the same cafeteria. The pull to conform is hard to resist. "As far as I'm concerned," says Spanton, "they're all one big happy family."

Even without these pressures to conform the IGs task is formidable. Every year the federal government spends nearly one trillion dollars. Even with an annual budget of more than $342 million, the inspectors general can monitor only a fraction of Uncle Sam's portfolio. It would take 10 years for the IG at EPA to audit every program in his department. The audit cycle at NASA is 15 years; at Commerce, 36 years.

Of course, not every program needs to be audited regularly. The mark of a good IG is knowing what to audit and when. The consensus among a number of current and former IGs is that it is most important to monitor efficiencies, not illegalities. The Department of Energy recently found that by segregating transuranic waste it could save more than $2 million a year in waste disposal costs. Unfortunately, audits on transuranic waste segregation don't generate headlines. The pressure to get on page one forces conformity of another sort. "There is an expectation that [the findings] should be somewhat jazzy," says Allan Reynolds, the Veterans Administration IG under President Jimmy Carter. "It is easier to say, 'I caught a guy stealing $100,000,' than, 'I found a system abuse where no one did anything illegal and saved $100 million.' "

The best IGs do that and more. They not only examine abuses of the system, they examine the system itself. At HHS, Richard Kusserow reviews every proposed rule or policy change involving his department. When he disapproves, proposals are often altered to meet his approval. Before the Medicaid system of reimbursements was changed in 1983, Kusserow held up adoption of the regulations until he was satisfied that the system could work.

This appears to be rare. Read through any number of IG reports: the system is rarely questioned. A recent report from the IG at Agriculture notes that as a result of an IG investigation a North Carolina farmer was indicted for cheating on the government's tobacco price support program. This is typical. Read a stack of IG reports from Agriculture and you will get a Who's Who of cheaters. What you will not get are answers to the more important questions—do we, for instance, need a tobaco price support program?

Even when the inspectors general do solid work it is often wasted. Consider NASA. From the time the space shuttle program began to the time Challenger exploded in January, NASA's inspector general published hundreds of audits documenting the fact that more than half a billion dollars in safety spending had been delayed. The IG documented coverups by contractors concerning defective welds on Challenger, and quality inspection reports that were routinely falsified. Hundreds of audits—thousands of pages long—were sent to the chief of NASA, sent to Congress, and made available to the press; nobody touched them. Defective welds on the Challenger are sexy now; they weren't before January 28.

Even if there had been interest, the reports may not have been read. That's because there were so few people responsible for acting on them. Before the explosion, the Office of Management and

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Budget, on which the White House relies for information, had four examiners to cover science and technology. The Senate subcommittee on space, science and technology had a staff of three. On the House side, the subcommittee on space, science and applications had a staff of six. "I seldom if ever see an IG report," says one member of the space, science and technology subcommittee. "From time to time a semi-annual [IG] report will float by. But I'm inundated by a mountain of paperwork, so I rarely get into them."

Another reason a lot of work done by the inspectors general goes nowhere is because of the Justice Department. When an IG completes an investigation, the results are turned over to the Justice Department for prosecution. "Justice is like a black hole when it comes to prosecuting our cases," says a former IG, echoing a common sentiment. "We never see them once we send them there."

One of the most infamous black holes at Justice is the Defense Procurement Fraud Unit. When he established the unit in 1982, then-Attorney General William French Smith said it would "deter fraud by conducting nationally significant procurement fraud and corruption investigations and prosecutions." Over the next three years, Defense Department IG Joseph Sherick says he referred more than 400 cases to the Procurement Fraud Unit. Only 11 were prosecuted. Why so little vigilance? One explanation may be that the head of the Procurement Fraud Unit, Richard Sauber, did not want to upset lawyers representing defense contractors. In May 1984, Sauber co-chaired an American Bar Association conference on defending government contractors from investigation and prosecution. He must have done a good job: in October 1984, Sauber left the Justice Department for Fried, Frank, Harris, Shriver and Kampelman, a prestigious Washington, D.C. law firm that represents numerous defense contractors.

Cheeseburger, Cheeseburger

When the GAO asked Interior Department IG Richard Mulberry why it took him nearly a year to investigate the leak that cost the government $46 million, he said "I can't remember."

We must not tolerate inspectors general who can't remember. Especially now. As the Reagan Administration blocks other outlets, Congress, the press and the public will become more reliant on the IGs. We need aggressive watchdogs, willing to go public with his or her findings unless remedial action is taken. June Brown, who left NASA last October, gets uniform praise for the investigations she conducted as IG. What she did not do is demand results: when NASA failed to act, she did not rush to Capitol Hill demanding an investigation; she did not call a press conference.

One reason we may not get responsive action is the current appointment system. Inspectors general are appointed by the president. They serve with no fixed term and can be fired at the president's discretion. On the day he was inaugurated, Reagan fired all the IGs. It was four months before Reagan submitted any names to the Senate for confirmation, six months before any IGs were confirmed. Nearly a year had passed before all the IGs were in place. This is not a peculiarly Republican action. After Carter's IG at HEW resigned in 1979, Carter did not name a replacement for 11 months. When his IG at the Labor Department left in early 1980, Carter left the position open the rest of his term.

We don't expect other watchdogs to operate on equally tenuous terms. Imagine if the president could fire the head of the General Accounting Office or the director of the FBI anytime either conducted an investigation that got too hot? It can't happen: Charles Bowsher and William Webster serve 15- and 10-year terms, respectively. Inspectors general need set terms as well.

And not only the IGs: all the auditors and investigators working in the IG system should have set terms. Having career employees in those positions can only deter IG vigilance. Investigators from police departments, the FBI and other law enforcement agencies could rotate through; auditors from private firms could do the same. A young investigator out to make a name for himself will dig deeper than a 20-year man worried about jeopardizing his career.

Is this insider stuff that doesn't affect the public? Hardly. Last November, the IG at the Department of Agriculture reported that officials destroyed documents that showed widespread contamination of meat products in California. The destroyed documents contained examples of confirmed, probable or potential meat contamination in 127 meat packing plants across the state. Contaminated meat contributed to a tripling last year in California in reported cases of salmonella poisoning. One official at Agriculture told the IG that disclosure of this "gross violation would have caused utter chaos for both the agency and the meat industry." The IG report was ignored. Think about that the next time you bite into a cheeseburger. ■

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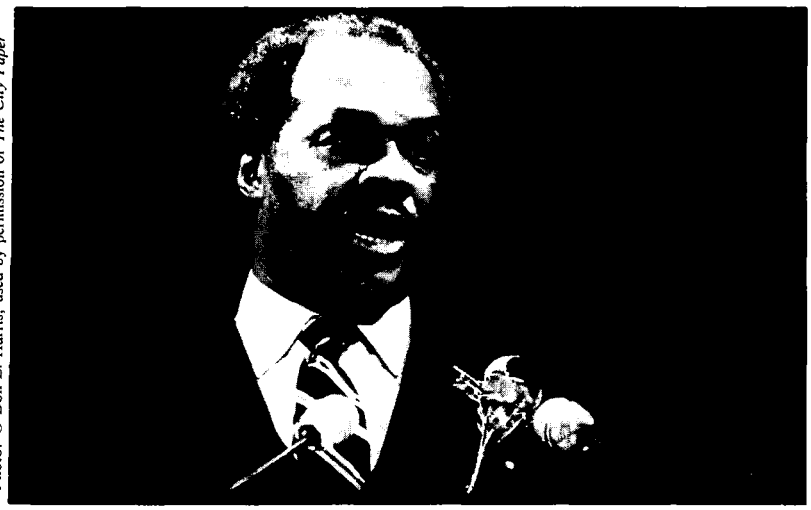

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Whenever I think of some of America's black mayors I am reminded of my trip to Nairobi, Kenya in 1971. In the clutter of shacks and rubble in a run-down tract on the edge of the city an old man told me that soon after the British relinquished control of the government to Kenya's black majority in the 1960s, the government appointed Nairobi's first black policemen. Nairobi's poor blacks were elated. The venal white police with their truncheons, British accents, and racist arrogance were leaving. They had treated Kenya's blacks like dirt, beaten them and stolen their money and dignity. The arrival of black policemen, their ebony skin in the pressed beauty of caps and uniforms previously reserved only for whites, brought home to poor ghetto blacks the reality of their nation's independence. The old man said he had cried with joy and the young people danced in the streets.

Unfortunately, the old man said, pointing to thick raised scars across his arms and chest, the black policemen proved far more vicious than the whites. More whips and sticks than ever flew against blacks in the hands of black policemen. The black policemen viewed their new power as a license to threaten black men, rape black women, and take bribes from criminals and rich whites who controlled the black ghetto more brazenly than ever before. All restraint was gone with these new police, the old man explained, because poor blacks could find no audience for complaints about the black policemen. Poor blacks had been demanding black policemen for years. Black policemen were a symbol of national pride—no one in power, white or black, wanted to hear that the black policemen were mean, crooked bastards.

Black mayors of American cities are not, of course, inflicting the kind of physical abuse on the public those Kenyan policeman did. But I cannot help but think that some blacks in the United States have been similarly betrayed. Several black mayors have used their new positions to make deals for their friends and keep themselves comfortable, but have failed to improve the lives of black people—or any other needy group—in their cities. And no one, black or white, really wants to admit this abuse of trust exists.

Just as blacks became policemen when Kenya won its independence, black American mayors came to power in the aftermath of another revolution: the big city riots. Black Americans had set fire to the cities where they lived in poverty and segregated isolation. They were invisible in the downtown office buildings where the cities were run by white businessmen and politicians. (Prior to 1967, no major city had a black mayor). Following the example of the civil rights protests in the blatantly segregated South, urban blacks in the North aimed their fire at the all white mayors and police chiefs. They asked, "Why can't blacks run cities where blacks live?"

White businessmen saw the cities burning and their business markets shaken by social disorder. At the same time, white flight was changing the mathematics of urban electoral politics. Detroit's

Juan Williams, a national correspondent for The Washington Post *is writing* Eyes on the Prize—America's Civil Rights Years *to be published by Viking-Penguin in December. He covered D.C. politics for the* Post *from 1978 to 1982. Research assistance for this article by Anne Harrison.*

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by Juan Williams

A DREAM DEFERRED

A BLACK MAYOR BETRAYS THE FAITH

population in 1980 was 63 percent black; it was 29 percent black in 1960. Washington's black population jumped from 54 percent to 70 percent during the same period, and Newark's from 34 percent to 58 percent. The ground was fertile for the current crop of big city black mayors. They could finally get financial support for campaigns from white businessmen anxious to placate blacks, and higher black voter registration provided an electoral base.

From 1965 to 1985, Washington, Detroit, Philadelphia, Gary, Chicago, Los Angeles, Newark, New Orleans, Birmingham, Atlanta, and more than 200 smaller cities all elected black mayors for the first time. On television, the black mayors were popular figures, seen in the three-piece suits that had long been the uniform of white political dominance. They were the pride of black America, replacing the often arrogant whites who had paid little attention to the black areas of town.

But like the blacks in Nairobi, too many American blacks have found their dream betrayed as some black mayors have proved to be as corrupt, uncaring and abusive as the old white mayors. White mayors may have allowed racist police to violate black citizens' rights, but none ever bombed a black neighborhood as did Philadelphia's Wilson Goode. The first black mayor elected in a major northeastern city, Kenneth Gibson of Newark, ruled for 15 years, gaining reelection—one year while under indictment—even though he did little to try to lower Newark's poverty, infant mortality, unemployment and crime rates, all among the highest in the nation.

Most tragic of all is that blacks in this country have rallied around the worst of the black mayors. Wilson Goode is still supported by close to 70 percent of blacks in his city. [See "Goode: Bad and Indifferent," p. 27.] There seems to be too much pride in having placed a man with a black face in city hall to kick him out, no matter how poorly he is serving the interests of blacks and the city as a whole.

Nowhere is this tragedy more evident than in Washington, D.C., where Marion Barry's administration has compiled a record of corruption as disheartening as any in recent years. Sadder still, his preoccupied administration has squandered a great opportunity to offer strong, compassionate black political power and elevate the status of poor blacks. And yet even he has retained the affection of the black community.

Mau mauing to the mayoralty

When the Student Non-Violent Coordinating Committee (SNCC) was formed in April 1960, it represented the best of young black America. This movement of college students arose at a time when the civil rights movement's older black leaders were adrift, uncertain how to face massive white resistance to the Supreme Court's 1954 order to desegregate public schools. Impatient with the slower, non-confrontational ways of their elders, the students took the movement to the streets, staging sit-ins, taking seats in the front of buses, and registering poor blacks throughout the South where blacks could be killed for registering. They energized the civil rights movement, put it back on the front pages. When Martin Luther King Jr. and NAACP-types tried to take control of the student movement, the

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students said no. SNCC was to be a student-run group under no central figure. They set up a rotating chairmanship, and to demonstrate that SNCC was not going to be controlled by the Ivy League black "saviors," who came from the North to tell their less-schooled southern brethren how to run a movement, they chose as the first leader a little known student from tiny Itta Bena, Mississippi—Marion Barry.

The student activists put their necks on the line to win rights for black Americans. Many of the blacks who later joined the Barry administration in D.C. had been in SNCC: Ivanhoe Donaldson became Barry's most trusted advisor as deputy mayor; Courtland Cox, a Barry advisor; John Wilson, a city councilman. SNCC volunteers went to horrible southern jails guarded by openly racist sheriffs. They worked for no money, slept in church basements, cotton fields or on some old lady's couch after putting in 16-hour days. They risked their safety and their futures, accepting jail rcords and earning the animosity of the whites who had jobs to offer. Throughout SNCC's trying early years, Marion Barry was among the most committed and self-sacrificing. He was a leader, for example, of the bold 1960 luncheonette sit-ins in Memphis.

SNCC sent Barry to Washington in 1965 to raise money and organize blacks in the capital. While there, his interest drifted away from SNCC and toward the city's "home rule" movement. At the time, the District had no local government—the president and the Congress ran the city. Only Congress could raise taxes, and commissioners appointed by the president had to plead with conservative southern congressmen for money to provide basic services. Barry called it "political slavery." He said the white congressmen on the district committees and the white businessmen who lorded over the city's black majority were "misery merchants."

After Congress increased District bus fares in 1966, hitting hard the system's mostly black riders, Barry used his SNCC training to organize a bus boycott. He then demanded that District stores display orange and black "Free D.C." stickers in their windows and give money to the home rule drive or else he would organize pickets and boycott against their stores. He was accused of trying to extort money, and backed down. But Barry was making waves and William Raspberry, a columnist for *The Washington Post*, wrote in 1966 that Barry was "fast becoming the leading catalyst for change in Washington."

By 1967, Barry had quit SNCC and started working with a federally-funded jobs program called Pride Inc. that put thousands of youths to work cleaning streets, painting buildings, landscaping, and operating gas stations. Barry quickly became a militant voice in D.C. politics. After the city's 1968 riots, for example, he warned that he had been given "the word that if the city is rebuilt the way it was, it will be burned down again."

The home rule movement's first achievement was to win the right to hold school board elections. In 1971, Barry, frequently dressed in the uniform of the revolution, dark glasses and Dashiki, ran for the board, pledging to "get rid of some of those teachers who are not teaching" and telling high school students that "in order to get rid of unemployment in the United States, you must get rid of capitalism as it operates." Later, as chairman of the board, he continued to display his activist approach by, among other things, sending elementary school children into the streets to protest President Nixon's welfare policies.

He stayed until 1974, when the city gained the right to a city council and mayor. He won an at-large council seat with a campaign emphasizing greater financial independence from Congress and calling for free transportation for senior citizens and job training. He beat out a crowded field of opponents and soon became chair of the council's finance and revenue committee.

Suddenly he had to deal with the same white business community that had objected to his demands for money for the home rule movement. In a pivotal vote in 1975, Barry signaled a new willingness to accomodate the desires of the business community. He blocked a 1 percent increase in the gross receipts tax proposed by Mayor Walter Washington, which was ardently opposed by the business community. City council members had hoped the increase would fund textbook purchases and school renovations. Although some opposed the tax because it was regressive, Barry explained his decision was an effort to include the business community as part of his constituency. With campaign contributions from this new constituency, Barry was easily reelected in 1976.

In 1978, Barry launched an underdog campaign for mayor against the incumbent, Walter Washington, and then city council chairman, Sterling Tucker, who is also black. It was the city's first real election for mayor. Walter Washington had won the first election in 1974 after having served as the presidentially-appointed commissioner for the city; the popular sentiment had been to give him the honor of being the city's first mayor. But his gentle ways did not move the ci-

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Photo: The Philadelphia Daily News

GOODE: BAD AND INDIFFERENT

by Chuck Stone

Philadelphians angrily called it a bomb. Police officials coolly insisted it was an "entry device." But the semantic difference soon seemed absurd, because whatever it was that the police dropped on a rowhouse inhabited by MOVE, a radical back-to-nature group, had turned the neighborhood into an inferno. The bomb killed six adults and five children, and gutted 61 adjacent black-owned rowhouses, leaving 250 black people homeless—and writing a new chapter in the City of Brotherly Love's history of black politics.

Political cartoons quickly defined Mayor W. Wilson Goode's role, showing him piloting a bomber plane over the city. In a column the next day, "The Bomb that Shattered a Civility," I dubbed Goode, "Brown Bomber II." Ten months later, the Mayor's Commission investigating the incident corroborated the satirical assessment with a more factual but equally scathing censure. In May, the city's district attorney empaneled a grand jury to investigate whether to press criminal charges against the top four city officials, including the Mayor.

Yet, incredible as it may seem, W. Wilson Goode is overwhelmingly favored to cruise to the Democratic nomination in May 1987, and a slight favorite to win re-election in November 1987. As of last month, 71 percent of the city's blacks still supported Goode. Although that's a drop from the 98 percent black voters gave him in 1983, the community's fidelity remains almost fanatical. Their 40 percent of the electorate, along with the 10 percent of the whites who still support Goode, could sneak him back into city hall.

Surprising as that may seem, it is doubly surprising considering his record of ineffectiveness with the city council and state legislature, and the personal scandals in which his name has been involved. Front-page headlines blared his denial, "I Don't Beat My Wife," after rumors had spread around the city that he had. A middle-aged white woman who had an affair with Goode sued him, and Philadelphia's *Inquirer* and *Daily News* published exposes of how he had failed to pay for 24 tailored suits.

Yet the city's powerful businessmen, civic leaders, and black clergymen continue to speak out as unmovable Goode allies. Before MOVE, they credited him with supernatural powers. Now, despite the deep fissures in Goode's "wall of respect," they still think of him as an inspirational leader.

"He's had a very successful administration with some gaps being created—the trash-to-steam program, the convention center," says William Rouse, the prominent developer. "But he has created a sense of hope that no white man can create. I think we need a black mayor for the next four years."

In addition, Jack Miller, CEO of Provident Mutual Life Insurance Company, says, "I've known him for 10 or 12 years and I've always liked him." Would he endorse him for re-election? He pauses. "I think I would." ►

Chuck Stone is a syndicated columnist and senior editor of the Philadelphia Daily News. *He is also the author of* Black Political Power.

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No matter how bad his judgment, Goode still commands the loyalty of most of the black community for only one reason—he is black.

Henry Nicholas, one of Goode's most energetic black supporters and president of the powerful District 1199C of the National Union of Hospital and Health Care Employees, eagerly endorses Rouse's position, but with a more pointedly political explanation. "The defeat of Wilson Goode leaves us without a city-wide black elected official and we'd be out of City Hall for another 20 years."

No matter how bad his judgment in approving a life-destroying and neighborhood-wrecking bomb, Goode still commands the loyalty of most of the black community for only one reason—he is black. "Can you imagine what would have happened if Frank Rizzo had dropped that bomb?" people commonly asked. To understand why that matters so much in Philadelphia, one must first understand three historical laws governing black Philadelphia's experience.

1) The Law of Ethnic Succession—Black supporters and their white allies still hold black mayors to a double standard of behavior because they fear that their relatively recent empowerment will be lost. It has only been 19 years since Carl Stokes was elected the first black mayor of a major city, Cleveland. The Irish, the Italians, the Jews, and the Poles all have had their political turns at bat. Now it's time for blacks and Hispanics. Why should blacks surrender their political power when they are such fledgling beneficiaries of the law of ethnic succession?

2) The Law of Ethnic Loyalty—This is a universal law of politics. In Boston, Irish voters repeatedly re-elected James Michael Curley to Congress, mayor, and governor despite constant investigations and allegations of corruption. In 1978, when Frank Rizzo sought a referendum to amend the City Charter so he could run for a third term, voters repudiated him almost 2 to 1. But Rizzo easily carried all of the predominantly Italian wards of South Philadelphia. And you can be sure that ethnic fidelity is no small part of Rep. Henry Waxman's appeal in his Jewish Los Angeles district or Dan Rostenkowski's popularity in his Polish district in Chicago.

3) The Law of White Paternalism—One of Adam Clayton Powell, Jr.'s favorite aphorisms warned: "Beware of Greeks bearing gifts, phony white liberals and colored men seeking loans." While white liberals have been necessary allies in the fight for racial justice, they have frequently made decisions on the basis of preserving a short-term political alliance at the expense of blacks' well-being. Who would argue that Mayor Goode should escape criticism for his destruction of 11 black lives? And yet not one of the phalanx of white liberals who led the 1976 effort to recall Frank Rizzo has raised a voice in protest. One of the most active anti-Rizzo leaders was the former Philadelphia Americans for Democratic Action president Lenore Benson, the Mother Superior of white liberals. Today she is an inside member of the Goode administration, serving as the Director of Special Projects.

A group of 109 blacks from around the country, including Paul Robeson, Jr., Alice Walker, James Baldwin, Richie Havens, and Kwame Toury (Stokely Carmichael) recently placed an ad that stated the problem with Goode eloquently. It was printed in the local black newspaper, *The Philadelphia Tribune* (*The Philadelphia Inquirer* refused to print it), under the headline "Draw the Line," and stated: "Over the past 15 years, we have witnessed significant increases in the number of black elected officials. It is often said, and some of us signing this statement do in fact believe that such increases represent advances in the struggle of black people. But *all* of us agree on this basic truth: when black elected officials use their positions of power to attack black people or to cover up for or to excuse such attacks they are no friend of ours and don't speak for or represent the interests of black people. In the past, lines were clearly drawn on this question. Those who attack black people were counted among our enemies. This line must be firmly drawn again. Murder is murder, no matter whether those responsible are black or white." ■

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ty's bureaucracy. Neither did it satisfy the black voters' yearning to see the city run by blacks for blacks. Walter Washington was black, but many blacks were suspicious that he was still too tied to the mostly white power structure that had run the city when he was a commissioner.

Barry attacked Washington's administration for "bumbling and bungling in an inefficiently run city government." Barry told stories of people waiting in lines for half a day to get drivers licenses and city hall bureaucrats not answering citizens phone calls. He posed as one of the new generation, ready to take over and make the city work, responsive to the needs of black people in the city, promising to end the "caretaker" concept of government. "The issue in the election of 1978 is energetic leadership, leadership which [is] chosen by the people, to do the people's bidding," he said during the campaign.

Ironically, Barry won a very close race by carrying the white wards, in large part because of key *Washington Post* endorsements. The paper's all-white editors were tired of badly run city government, but also romanced by an image of Barry as radical transformed into mainstream politician. "He is still remembered, by some, for a supposed excess of militancy in the 1960s," the *Post* wrote. "We would argue, on the contrary, that Marion Barry. . . has shown a commendable capacity for growth and a considerable talent for accomodation."

It wasn't until he was reelected in 1982 that Barry gained the support of the majority of blacks. In 1978, older blacks split their vote between the incumbent Washington and the well-financed Sterling Tucker. These Washington and Tucker supporters were established, middle-class blacks with strong historical roots in the city who viewed Barry as an ill-mannered upstart whose embarrassing behavior would likely damage home-rule. Barry's small black support in 1978 came from young blacks, the civil rights crowd that identified him as a man who fought against segregation and was now ready to take control of 44,000 city employees and a $2 billion budget in 1979. This was what the black "revolutionaries" had dreamed of in the late 1950s and early 1960s. Now Barry was in a position to make that dream come to life.

Sex, drugs, and low interest loans

In the seven and a half years since Barry took office, his administration has achieved some notable successes: a highly acclaimed summer jobs program, booming downtown development, a strengthened financial picture, and a generally improved image for the city. But these are not the centerpieces of the administration, for soon after Barry took office a troubling pattern emerged: instead of shaping a government more responsive to the poor or devising creative solutions to the city's mounting problems, the administration seemed to produce mostly a stream of scandals. And instead of providing the dynamic leadership he had promised, Barry seemed more interested in indulging himself.

The first major scandal broke in December 1979, less than a year after the reformer was sworn in. Barry and his wife had accepted a low-rate mortgage from a local banker who was competing for development rights to a city-owned tract of land. The banker had put Barry's wife on the bank's board of directors and now he had given the new mayor a 3 1/4 point discount on a $100,000 mortgage, a savings of $242 a month. Barry at first denied he had been given special treatment, but eventually gave up the discount after local media continued to report the story.

Barry was also showing signs that his revolutionary zeal had been replaced by a concern for money, clothes and status. I was then covering local politics for *The Washington Post*. His intimates told me Barry gained great pleasure from seeing his name in print and being recognized in public. He bought expensive new clothes, ate at fancy restaurants, and took trips to the Caribbean. Then he had his friends complain to the press that his $64,000 salary was inadequate. The complaints turned virtually into a full-fledged movement to get Barry a $500,000 mansion as an official mayoral residence.

He later complained that other mayors were allowed such perks, so why shouldn't he have them? "In Gary, Indiana, where the whole city is on hard economic times, with factories leaving, unemployment, if [Mayor] Dick Hatcher turned in his Cadillac people there would be outraged," Barry said wistfully. "If someone donated a Cadillac here the city would be outraged."

He travelled to a Sugar Ray Leonard fight in Las Vegas at city expense, at first telling reporters that he was trying to lure prize fighting to the District. He soon backed off that explanation as it became clear no one believed him. When city workers had failed to clear the streets following a snowstorm in 1979, Barry rode to work in his limousine. In a gesture of arrogance even Mayor Daley would have found offensive, he then told a reporter "there are more important things for me to worry about than snow," and gave pithy

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Mon.

Rick Rosen/SIPA-Special Features

The week an e
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Only a few years ago, you didn't even know it was there, silently spreading. Then several doctors noticed a strange new phenomenon. Healthy young men were suddenly contracting rare and unusual illnesses.

When the Centers for Disease Control correlated the data coming in, public-health officials realized a new enemy had taken the field. They called it AIDS (Acquired Immune Deficiency Syndrome). From that day on, the battle was joined.

It's been a battle we've all had to fight, usually within ourselves. You try to be fair, understanding. But suppose it was your child sitting at the desk next to an AIDS victim? Would reason prevail?

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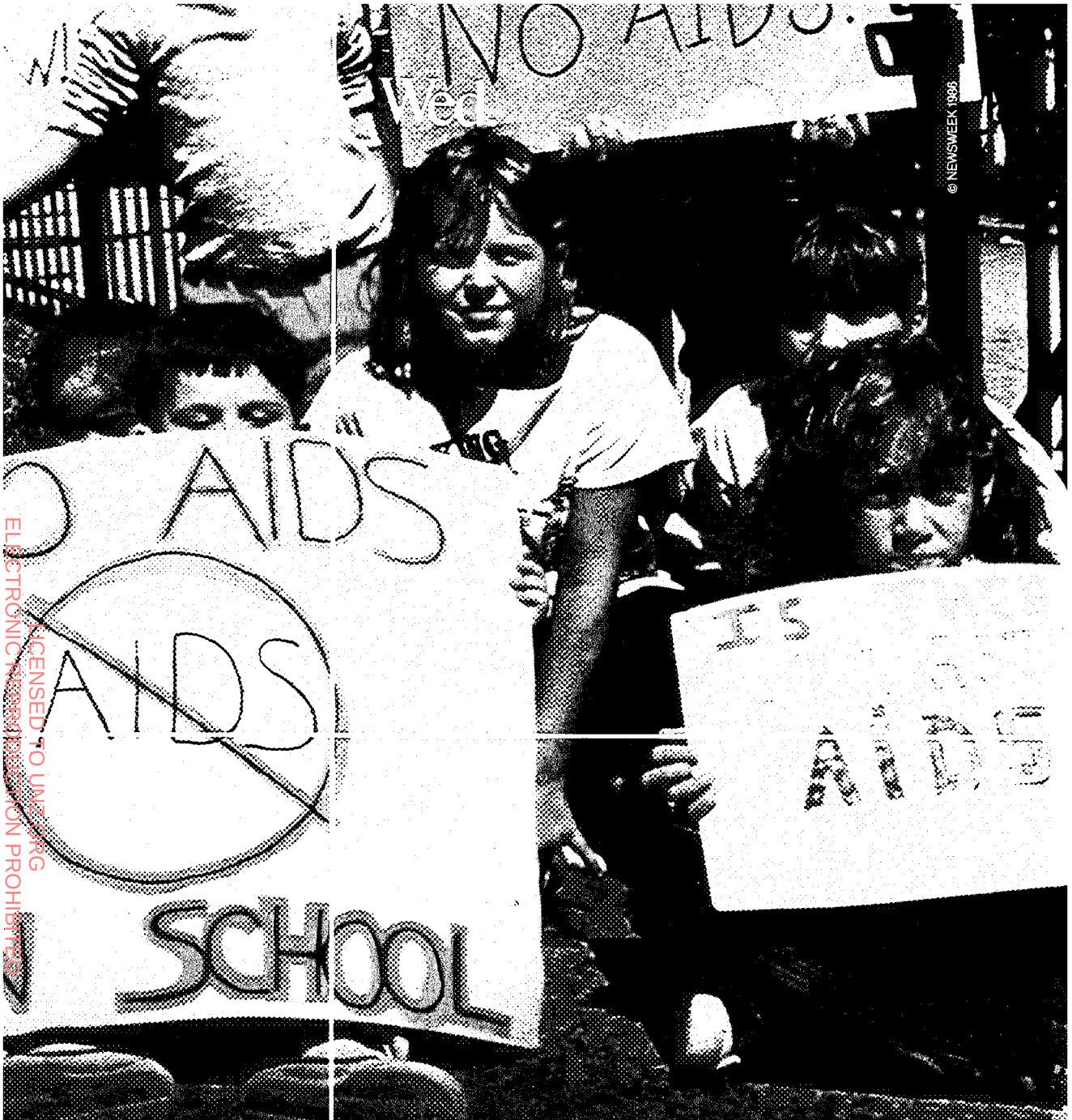

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As AIDS grew, Newsweek's coverage grew. Bringing a dose of truth to all those stricken with the most widespread symptom of this disease—fear.

That's how Newsweek deals with major social issues: recognizing them early on, reporting on them in depth and following their impact into every area of society.

Which is one reason Newsweek has won more awards for journalistic excellence than any other news magazine.

At Newsweek, whether a story covers a day, or a decade, we cover it all the way. You see, as long as it's part of your life, it's part of our life.

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Why it happened. What it means.

advice to those who were unable to drive to work: "They can walk."

As his first term wound down, another scandal hit close to home. Reports emerged that Barry's first wife, Mary Treadwell, Barry's wife until 1976, had diverted federal funds from Pride, Inc., the anti-poverty group that she had run with Barry, to her own bank account. Barry said he had suspected nothing about her alleged misuse of federal funds even though Treadwell drove a Mercedes, bought him a Volvo, and paid for trips to the Caribbean, art and jewelry—all on her $23,000-a-year salary. The government also charged that Treadwell had defrauded the government of money intended for Clifton Terrace, a low-income apartment complex. In July 1983, Treadwell was convicted and sentenced to three years in federal prison.

Since his 1982 reelection, the parade of scandals surrounding Barry has continued:

• In mid-1984, reports emerged that Barry had bought cocaine from a campaign worker, Karen Johnson. In a phone conversation apparently taped by the police, Johnson reportedly told her boyfriend she had sold cocaine to the mayor. Barry admitted he had a "personal relationship" with Johnson but denied any drug use. In June, Johnson pleaded guilty to charges of using and selling cocaine. She was also cited for contempt of court for refusing to testify before a federal grand jury investigating allegations that several city officials, including Barry, used cocaine. Barry testified before the grand jury in the Johnson case but was not indicted.

• In August 1984, Joanne T. Medina, a publishing company executive, became ill after taking large amounts of cocaine and barbiturates at a party with several top city officials. She died four days later. After her death, city officials attempted to get the medical examiner to change the autopsy results. The U.S. Drug Enforcement Administration then tried, unsuccessfully, to find out if the mayor and another top city official had used cocaine with Medina or been involved in buying cocaine with her or for her.

• In February 1985, the city paid $11 million to Jeffrey N. Cohen, a real estate developer and godfather to Barry's son, for land it valued at only $6.7 million.

• In August 1985, Robert L. Green, the Barry-supported president of the University of District of Columbia, resigned amid charges from the D.C. auditor that he had misspent money from a special university checking account for his personal travel, catering and consultants.

• In January 1986, three principals of a firm hired by the city to renovate a housing development pleaded guilty to income tax evasion. The grand jury investigating the Bates Street project, a showcase of the administration's housing policy, was delayed by the Barry administration's repeated failure to turn over its records.

• Finally, the Barry administration appears to have turned the city's minority set-aside program into a treasure chest for the mayor's friends. In 1984, D.C. auditor Otis Troupe said the city could not justify about $200,000 in contracts given to the former Barry aides and a former D.C. politician after they left government. "The mayor's policy of settling windfalls on a few political influentials is unsatisfactory; making millionaires of a few well-connected lawyers is a perversion of minority participation," complained *The Washington Post*. They noted that in one downtown project a proposal that ranked last on merit was approved "because of the prominent blacks on the development team."

Two city officials lost their jobs after complaining of illegal practices in the minority contracting program. Jose Gutierrez, the city's former chief purchasing officer, charged that the Barry administration was paying millions more than necessary for goods and services provided by minority contractors with close ties to the mayor. Then Alvin C. Frost, a black senior cash management analyst, charged that the city's finance department was "rife" with corruption, again singling out minority businesses in which the city had invested. Frost was forced to resign. Deputy Mayor Alphonse Hill told reporters to ignore Frost because he was a "nerd and an imbecile." Hill was later fired after he admitted accepting $3,000 and assorted gifts from a city contractor. The minority contracting program is now in serious jeopardy in Congress, which still has the power to reject the D.C. budget.

The FBI has subpoenaed nearly 500 people in or involved with D.C. government for various investigations. As this magazine went to press, new scandals were unfolding almost daily, several involving contracts awarded by the Department of Human Services and problems at the Department of Employment Services.

When scandals weren't in the news, rumors of wrongdoing were circulating. Most damaging in the eyes of the city's large black church-going community was the perception that Barry was an unrestrained philanderer. When I was covering city hall, sources and reporters would often chat about the latest Barry sex rumors before getting down to business. Barry's public actions only encouraged the rumors. For instance, Barry went

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It's time for American blacks to defeat bad black mayors; they are no longer a symbol of pride for the race.

to a 14th Street strip joint called "This Is It" and expressed frustration when reporters later asked him why he would go into such a place. That the owners of the go-go bar were under grand jury investigation at the time and that the entertainment consisted of naked women standing on tables and bending over to expose their genitalia didn't seem to convince Barry it wasn't a proper setting for the mayor. Barry's defense was that he went there seeking not erotica but campaign contributions.

Alter ego in the slammer

Perhaps the saddest chapter in the story of the Barry administration's shift in values is the career of Ivanhoe Donaldson, the mayor's most trusted aide. Donaldson, who masterminded Barry's two election drives, was the heart and soul of Barry's administration. He was the "hands-on man" in charge of the actual operation of the government while Barry took the ceremonial role of mayor.

Donaldson reveled in his role as the real power broker of the city government; he had always been cast opposite the white power brokers when he had worked with SNCC organizing blacks to register to vote. Now the rich, white K Street lawyers, lobbyists and accountants had to come to Ivanhoe Donaldson to do business. So did the black professionals who worked for the big, white companies—the same guys who for years had snubbed Donaldson and Barry as wild-eyed civil rights workers.

He was once asked why the District government wasn't doing more for the poor. His answer, the *Post* wrote, was that "government can't eliminate poverty." Government can, however, give out patronage in the form of jobs and contracts, he added, explaining that contracts Barry gave to selected black professionals who were politically close to the administration would enrich a slice of the black community and might create some jobs for poor blacks. "Patronage isn't evil, it's just good politics," Donaldson told me one day during the 1982 election. Distribution of contracts and jobs doesn't have to be bad; it can help struggling contractors and the unemployed, and can make government more accountable. The problem with the Barry administration's cronyism is that it has been blind to individual capabilities and needs, and usually lines the pockets of a small group of professionals with political connections. For example, about 40 percent of the city's housing acquisition money from 1979 to 1981 went to builder Theodore Hagen, the chairman of Barry's inauguration committee.

Donaldson used his power to subsidize an extravagant lifestyle, racking up huge debts with payments for his Mercedes Benz, limousines, custom-tailored suits and expensive restaurants. He left city government in 1983 to become a liason with black mayors for E.F. Hutton's municipal bonds division.

The tragedy of Ivanhoe Donaldson ended in January 1986, when he pleaded guilty to stealing $200,000 from the city (although federal investigators said the total may have been as high as $1 million), obstructing justice by trying to convince four people to submit false affidavits to D.C. inspectors, and income tax evasion. He took money from a special fund that was supposed to help distribute unemployment benefits. He used city funds to have his Mercedes Benz repaired, double-billed the city for a poll, and shifted $6,500 to his unemployed aunt, ostensibly for a study of New York's unemployment system. More recently, his name has come up in connection with scandals in New York and Chicago involving payoffs to parking meter collection companies.

The pathetic epilogue to the Donaldson story was provided by Barry himself. After his principal deputy, old comrade-in arms, and close friend was convicted, Barry insisted that Donaldson was "just one of several" top aides in the city with no special connection to him.

"Where is the Mayor?"

The seemingly endless list of scandal and innuendo is embarrassing, but does it represent a betrayal of blacks? In the case of Marion Barry, yes. First, several of the Barry administration scandals ripped off his poorest constituents. When contractors for a public housing project are chosen solely for their political connections and do a lousy job renovating apartments, it

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cheats those in the project. Similarly, the scandals can destroy potentially worthwhile programs, as happened when corruption permeated the minority contracting program.

Furthermore, the scandals, rather than an aggressive agenda of problem solving, became the focus of the Barry administration. In the course of four years Barry's ex-wife, his lover, and his alter-ego went to jail. I was reporting from the District building during the Treadwell controversy. For a full year, speculation continued on whether Barry would be indicted. A typical day consisted of him spending hour after hour consulting with his lawyers on how to avoid being implicated in the scandal, with aides on how to handle the political fallout, with reporters answering questions about the scandal, and with constituents, responding to their questions on his involvement. It happened again with the Karen Johnson controversy and, undoubtedly, when Ivanhoe Donaldson was indicted.

The supreme distraction these problems caused, along with Barry's increasing interest in treating himself to the finer things in life and his cynically political view of who he *had* to help instead of who he *should*, combined to take a tremendous toll on the poor in Washington. A calloused realpolitik had crept into Barry's policies. In an interview with me during the city's 1980 budget crisis, Barry, in cold political terms, listed the groups he would protect in the face of budget cuts. "I'll tell you who supported me. . .the labor unions, police, fire fighters and teachers, the gays and 30 percent of the black voters. I lost Ward 8 where all the black people live. They didn't support me." He created a special office to address gay concerns and increased the police department budget, but scrapped a scheduled, long overdue welfare increase and cut the education budget, the two parts of the budget most important to poor blacks.

Barry's administration has also bungled plenty of opportunities to resolve the city's problems. This year, the U.S. District Court had to take control of the local jails from Barry because he had consistently failed to address the problem of prison overcrowding. In 1983, U.S. District Judge William B. Bryant held Barry in contempt of court for violating his orders to reduce jail population. In July of 1985, Bryant threatened another contempt citation for Barry. Barry was saved that time by the U.S. Justice Department, which agreed to house some of the city's prisoners to give Barry time to find added jail space for several thousand prisoners. But by January, the Justice Department said it would help with the prison problem no more because it felt the city was doing nothing. Barry then tried to secretly ship some prisoners to Pennsylvania, a move showing questionable political acuity since the chairman of the Senate Appropriation subcommittee on the District of Columbia is Pennsylvanian Arlen Spector. Pennsylvania officials refused the prisoners, Barry apologized, then tried housing the prisoners in an old police station in a residential neighborhood near a public school without consulting area representatives. "The history illustrates that the management of the system is so inept. . .that officials have no idea of what to do and how to do it," said Alvin J. Bronstein, executive director of the American Civil Liberties Union's National Prison Program. "Other jurisdictions have ongoing problems, but they deal with their problems. . .but not in the District."

Barry's "revolutionary" government has also failed to improve the city's deteriorating public housing projects. Walk through these projects and you see missing front doors, sewage from broken plumbing, people jammed into small, one bedroom apartments. The city's handling of public housing was deemed so disgraceful that in March 1986, Samuel Pierce, Jr., the secretary of the U.S. Department of Housing and Urban Development, took the unusual step of directing an aide to oversee the D.C. system because local officials had failed to correct serious problems identified in federal government audits. For example, the waiting list for public housing has almost doubled from 7,232 in 1974 to 13,000 this year, with waiting periods as long as ten years. Yet the city's system had one of the highest vacancy rates in the nation because the city failed to renovate apartments and manage them efficiently. In March 1986, 2,066 units—about 17 percent of the total—were vacant. A 1984 HUD audit said apartments remained vacant for an average of a year and a half, giving vandals plenty of time to destroy the chance that someone on the waiting list might get a home.

It's not for lack of money that Mayor Barry has let public housing languish. It was revealed this year that the city has been sitting on more than $8.8 million in federal housing money for more than three years without spending it.

For the most destitute, the city's roughly 10,000 homeless, Barry's administration has done little. As the battle between Mitch Snyder's Community for Creative Non-Violence and the Reagan Administration raged over the renovation of a few federal shelters, Barry's administration stayed

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MEMO OF THE MONTH

United States Department of Agriculture

Food and Nutrition Service

Northeast Region

33 North Avenue
Burlington, MA 01803

FOOD STAMP PROGRAM POLICY MEMO

Region: MPRO/MARO
Index No: 86-12
Provision: 273.9(b)

MAR 19 1986

Subject: Money Received from the Sale of a Person's Blood or Blood Plasma

Question: Should money from the sale of a person's blood or blood plasma be counted as income for food stamp purposes?

Response: Money received from the sale of a person's blood or blood plasma is considered earned income for food stamp purposes.

Bonny O'Neil

BONNY O'NEIL
Director
Program Development Division

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quietly on the sidelines. *The Washington Post*, in an editorial entitled, "Where is the Mayor?" wrote, "Marion Barry is a man who made his reputation and political career by taking up the cause of people without power. Now he has an official responsibility to help a particularly needy group of people without power. It is a scandal that he does not do his duty." In rejecting a federal proposal to house hundreds of homeless in trailers on District property, Barry said, "we are not prepared to take sorely needed local dollars to pay for either short-term or long-term solutions that are solely the responsibility of the federal government." Barry also opposed a referendum stating that the city had a responsibility to shelter the homeless. The referendum passed overwhelmingly and now the Barry administration is battling it in the courts.

In the area of transportation, Barry—the man who led a boycott to protest increased bus fares for the poorest riders—has presided over the construction of a discriminatory transportation system. Anyone interested in a quick lesson in the demographics of poverty and political clout in Washington need only glance at a Metro map. There are four lines: red, blue, yellow and green. The red, blue and yellow lines cut through downtown Washington and jut into the ritzy Maryland and Virginia suburbs; the green line draws a loop through most of the blackest, poorest parts of town. Three of those four lines are partially or totally complete. One has not been begun and may never be begun. Guess which. Barry ducks this charge by saying that the plans for the Metro were finished long before he came into office. True. But as finances were dwindling and decisions were being made to concentrate resources on the commuter lines, Barry threw up his hands.

In the area of public education, the school system that had hit bottom has seen some improvement during the Barry administration. But it has come in spite of the mayor, not because of him. The last two superintendents, appointed by the independently elected school board, have provided strong leadership, improved test scores, morale, and funding. The public schools' current superintendent, Floretta McKenzie, a hardworking administrator not given to grandstanding, this March threatened to quit if Barry didn't give the ailing school system enough money. Over 44,000 parents signed a petition asking the mayor to give the schools more money. The city council approved the funding; Barry's liason to the council ultimately agreed the mayor could "live with" the increased spending. Barry's budget shows the emphasis he places on education. From 1983 to 1986, agencies falling under the category of "governmental direction and support," such as the Mayor's office, received a 30 percent increase. Meanwhile, the education budget went up only 17 percent. Barry's concern for education is also reflected in his actions as a parent. When it comes to D.C. public schools, Marion Barry is no fool: he sends his son to a private school.

In health care, the city also has a questionable record. While the city spends more per capita than most cities on mental health care, it has one of the weakest programs, according to the Public Citizen's Health Research Group.

There has been plenty of money to attack the city's problems. D.C. has per capita taxes that are among the highest in the country. Part of that burden goes to pay for the second largest government payroll per capita of any state. The Barry administration, long sensitive to claims that its bureaucracy is bloated, notes that it combines the services of state, local and municipal government.

In the area of economic development, Barry's constituents had expected he would be more than simply a representative of the Board of Trade—that in the process of developing downtown he would also develop the poor parts of the city and make sure that at the very least, the economic development that does occur wouldn't uproot neighborhoods.

Muhammad Sabur, a former official at the city's housing and planning office, said he left his job out of frustration over the role of politics in determining economic development. He said that while Barry has done well developing downtown, he has spent no energy trying to develop the poorer parts of town because politically he takes them for granted. He says Barry "wants to be mayor. He likes being mayor. If Ward 7 and 8 [two poor, black districts] don't bring the network and political clout then he's not going to work on it." He said there has been little effort by the Barry Administration to require developers who are getting tax breaks and assistance to construct downtown to also invest in poorer neighborhoods, a strategy that has had great success in Boston and San Francisco. Moreover, Barry has shown little concern for how economic development affects neighborhoods. He reneged on campaign promises not to support the expansion of a Hilton hotel into the Adams Morgan neighborhood, nor to allow office buildings and condominiums instead of public parks or malls on the Georgetown waterfront.

Sabur explains that the relationship between community organizations and city hall helps to

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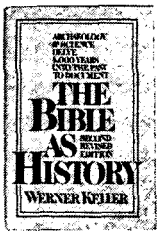

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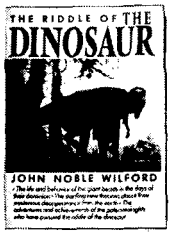

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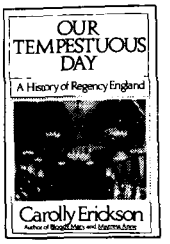

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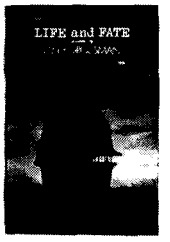

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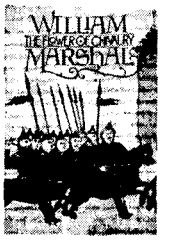

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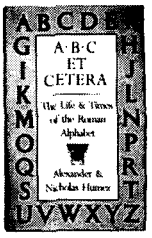

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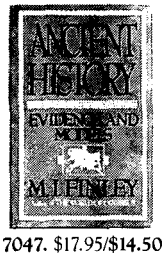

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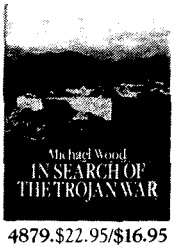

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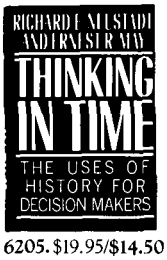

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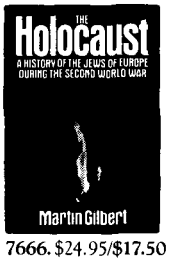

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quiet much of the criticism that would otherwise come from these communities. He says that because most of the civic and housing counseling groups are financed with city grants they are reluctant to complain too loudly.

Blacker than thou

A mayor with such a poor record—both in terms of actual achievement and wasted potential—should surely go down to thumping defeat. Certainly a mayor bathed in a constant stream of scandal and leading an arrogant lifestyle amid so much despair should be kicked out by voters at the first opportunity. Without question, a mayor who has both problems should be a political has-been. So it would seem.

But Marion Barry won re-election in 1982, defeating his opponent Patricia Roberts Harris, 58 percent to 36 percent. More incredible, he won the 1982 election by carrying the lower income black wards overwhelmingly. His job approval as of January 1985, was a robust 65 percent, with blacks giving him almost twice as favorable a rating as did whites. He is considered the odds-on-favorite for reelection and so far doesn't have any strong opponents for November's election.

Why is the mayor so invincible even when he has compiled such an embarrassing record? For one, blacks fear that to challenge a black mayor as corrupt is to take a risk. That gamble could mean fracturing the loud, insistent, united black voice that enabled blacks to become mayors in the first place. Even though Barry's mayoral opponents in 1978 and 1982 were black, some blacks fear that throwing out the city's second black mayor like a scoundrel might help the ever-gentrifying whites take over city government. Blacks occasionally speak in terms of The Plan—the plan by whites to take over city government again. There is also the sense that open rebellion against a black mayor could be seen as a tacit admission that black governance doesn't automatically work. It would be letting down a guard to a hostile world.

I remember when I was covering the election returns in 1982, one of Barry's young poll watchers asked me how, as a black, I could have written a particular profile critical of Barry. "The people know about Barry," he said. "But you don't want to let people outside, even Ward 3 [where the whites live], or the rest of the world know. You don't want people to know he's an idiot." This tendency to circle the wagons ends up providing ammunition to the enemy as incompetence is preserved under the banner of ethnic solidarity. A white prosecutor like U.S. Attorney Joe DiGenova, a Republican appointee probably relishing the prospect of embarrassing a Democrat, is an obvious "bad guy;" there's a perverse pride in seeing a black man keep a step ahead of the white lawman. What no one seems willing to admit is that DiGenova is fishing for corruption in teeming waters, and that the black man in this story has been assaulting the trust of other blacks.

"This is a black mayor in a white-run town—and the whiteys don't like it," Robert Jones, a resident of southeast D.C. told *The Washington Post* during the DiGenova drug investigation. "A blind man can see what's happening: the whites are moving back and the groundwork is being laid to make sure this is the last black mayor." Joslyn N. Williams, president of the AFL-CIO's Metropolitan Washington Council said DiGenova was gunning for Barry because the city is overwhelmingly black, Democratic and liberal. "Regardless of what one thinks of the mayor, it is important to rally around Marion Barry," he said, "not because he is Barry but because he is the chief executive."

Barry encourages this all-for-one ethnic unity. "I am concerned that as blacks become leaders in positions where they weren't before, that other blacks begin immediately to criticize everything that's there and act as though [the problems] started when we got there," Barry told a graduating class of the University of District of Columbia in 1980.

The worst risk in criticizing Barry is that such criticism might break faith with the civil rights movement. Just as northerners after the Civil War won elections for three decades by "waving the bloody shirt"—invoking memories of the war—black politicians sometimes wrap themselves in the banner of the civil rights movement.

When Martin Luther King Jr.. was confronted with criticism from other black civil rights leaders in the middle of the southern protest movement, he cautioned his rivals: "We should not devour each other to the delight of on-lookers who would have us corrupt and sully the noble quality of our crusade." The "crusade" was everything; the opponents were racist and oppressive whites. That lesson is one not easily forgotten. Unfortunately, the vigilance that was necessary then is now being used as cover for selfish, corrupt or incompetent black leaders. "They used to just lynch people by a rope a long time ago," Barry said when DiGenova was investigating the drug charges against him in 1984. "After that they're

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trying to lynch black people another way and I'm not going to be lynched." When the *Post* investigated a minority contracting program, Barry's response was that the newspaper was out to "destroy our minority contracting program."

In such a political environment, blackness has become Barry's main defense—even when his opponent is black. While Barry uses racial unity as a weapon in fighting white adversaries, he uses his blacker-than-thou street-dude persona to strengthen his appeal within segments of the black community. His principal opponent in the 1982 election was Patricia Roberts Harris, President Carter's secretary of Housing and Urban Development. During the race Ivanhoe Donaldson said, "there has always been a black candidate in D.C. elections and Marion is that candidate. Mrs. Harris can speak for herself." Harris was undeniably black and she had compiled a solid record of black achievement despite the odds against a black woman in the fifties and sixties. Donaldson's message was that she worked her way up through the white-dominated federal government, not the confrontational civil rights movement as Barry had.

Whites have reasons for supporting Barry too. Businessmen appreciate the hypnotic hold he has over the city's black voters, that has created a stable environment for business in a city where turmoil could easily take hold. Most of the District's politicians are ex-radicals from the civil rights movement; there is a socialist on the city council, and the voters are decidedly anti-business, as shown by their support of rent control and higher taxes. Moreover, Barry has been helpful to white developers, siding with them frequently in battles with neighborhood groups and cutting red tape for downtown development projects. That may be why the developers poured tens of thousands of dollars into Barry's reelection campaign.

The most important white political actor in the city, *The Washington Post*, has also shied away from criticizing Barry. While I was working on the editorial page staff, there was a tendency to hold Barry to a lower standard than other politicians. The paper had pushed hard for him and felt that as the leader of the first independent black government since home rule, he was entitled to make mistakes and have time to learn. There was also a strong sense of defensiveness and liberal guilt that came with being a white newspaper in a black town. More recently, Barry's criticism of the *Post*'s investigative series on minority contractors played on that racial tension.

Entering a new era

This nation has seen scores of lousy mayors—nearly all white. Yet the story of Marion Barry is particularly tragic because it involves a man who abandoned the principles of the civil rights struggle for which he fought so valiantly. Barry did more good for his people when he was working in the civil rights movement to gain power than he did after he had that power. The constant bouts with petty corruption have diverted attention from Barry's policy failures and from the larger agenda of reforms that black voters might demand of the practically all-white development firms, real estate companies, banks, and utilities. Consequently, the promise of black political power in Washington and the change it could bring for the city's black residents, particularly the poorest, has gone down the drain. Yet Barry is on his way to reelection for a third term because black Washington voters can't bring themselves to cut loose this sad figure.

Unfortunately, Marion Barry is not an anomaly. There are several black mayors who have similarly betrayed the hopes and faith of their people. Wilson Goode in Philadelphia has gained more and more support from the black community as criticism from whites has mounted. Richard Hatcher has presided over Gary, Indiana, for years even though he has done little to address the poor public schools and deep poverty.

Obviously, the failure of these men has nothing to do with the fact that they are black. And just as obviously, there have been many tremendously successful black mayors. Andrew Young of Atlanta, Richard Arrington of Birmingham, and Johnny Ford of Tuskegee, are just a few who have earned high marks from blacks and whites alike. But it's time for American blacks to defeat bad black mayors; they are no longer a symbol of pride for the race.

In May 1986, for only the second time in American history (the first being the unusual case of Walter Washington), an incumbent black mayor of a major city was defeated. Kenneth Gibson, the mayor of Newark, N.J. for 15 years, was defeated by another black man who complained that Gibson had long since lost interest in solving the city's problems of poverty, crime, and economic decay. It is incredible that Gibson lasted for so many years while the city deteriorated. But his defeat provides hope. It may mean that a new period of black politics has started in which black voters will no longer allow themselves to be trampled upon by those who claim to lead them. ■

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WHO'S WHO in the Administration

The warfare between **Donald Regan** and **Patrick Buchanan** continues. The latest casualty is **Peggy Noonan**, who was Buchanan's candidate to succeed **T. Bentley Elliott** as head of the White House speechwriting office. But Regan, who had fired Elliot, vetoed Noonan. Needless to say, Regan and his staff, who are called "the mice" by the speechwriters, were not invited to Elliot's farewell party which was presided over by Buchanan....

Fred Fielding, who displayed such a notable gift for escaping indictment during Watergate, is now in jeopardy because he is alleged to have discussed a possible job with **Michael Deaver** while his staff was reviewing whether Deaver had violated conflict-of-interest laws. The irony is that in their White House days, Deaver and Fielding didn't like each other and any real chance of their wanting to work together on the outside was just about zero. What Deaver was doing in mentioning the job is called "stroking," trying to win a favorable finding on the conflict-of-interest issue by manifesting his warm regard for Fielding. Our guess is that Fielding wasn't influenced because he knew the regard wasn't warm at all....

William Russell, a top official of the Customs Service, has been found guilty of sexual harassment and has resigned....

Another indication of the moral tone of the administration is the case of **Peter Voss**, vice chairman of the Postal Service, who has pleaded guilty to charges that he was paid off for helping a Dallas company obtain a multi-million dollar government contract and that he embezzled money from the Postal Service by overcharging for his travels....

In another ethics case **James G. Miller**, the director of the Office of Management and Budget, found that his deputy, **Joseph C. Wright, Jr.** had created "the appearance of conflict-of-interest," but asked Wright to stay on in his job and assured him, "You retain my every confidence."

What Wright had done was to call Department of Energy officials to set up a meeting to "discuss" a $16 million government fine against the Anchor Gasoline Company. Wright owned $250,000 in Anchor stock and his father was president of the company....

The Senate has rejected the Reagan nomination of **Jeffrey J. Zuckerman** as general counsel of the Equal Employment Opportunity Commission. Zuckerman had said that the best way for blacks and women to overcome job discrimination was to work for less pay than white males....

In

WHITE HOUSE

Deputy Assistant to the President for Administration—**Johnathan S. Miller** has been senior director for coordination on the National Security Council.

Director of Latin American Affairs, National Security Council—**William J. Perry** has been a staff member of the Senate Foreign Relations Committee.

HEALTH AND HUMAN SERVICES

Deputy Assistant Secretary for Public Affairs—**Richard Teske** has been associate administrator for external affairs.

STATE

Deputy for Policy and Public Affairs and Diplomacy Coordinator for the Latin American and Caribbean Regions—**Robert Kagan** has been a speechwriter with the Office of Policy Planning.

TREASURY

Deputy Assistant Secretary—**O. Donaldson Chapoton** has been a partner with the Houston law firm of Baker and Botts.

AGENCIES AND COMMISSIONS

Director, Legislative Affairs Division, Internal Revenue Service—**Gayle G. Morin** has been branch chief of the taxpayer service division.

Deputy Assistant Administrator, Office of External Affairs, Environmental Protection Agency—**R. Augustus Edwards** has been an administrative assistant to Senator Paul S. Trible, Jr.

Out

WHITE HOUSE

Director for Latin American Affairs, National Security Council—**G. Philip Hughes** has joined the State Department as deputy assistant secretary for politico-military affairs.

Deputy Assistant to the President for Administration—**Christopher Hicks** will become general counsel for the Agriculture department.

AGRICULTURE

Director of Research, Office of the Secretary—**Vince M. Phillips** has resigned to join the National American Wholesale Grocers Association as a media aide.

DEFENSE

Assistant Undersecretary for Policy Planning—**Michael E. Pillsbury** was reportedly fired for leaking documents to the press.

STATE

Ambassador to the Vatican—**William A. Wilson** has resigned.

AGENCIES AND COMMISSIONS

Vice Chairman, Commission on Civil Rights—**Morris B. Abram** has resigned to become chairman of the Conference of Presidents of Major American Jewish Organizations.

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Photo: Kitry Krause

AMERICANS CAN BUILD GOOD CARS

THEY'RE DOING IT IN MARYSVILLE, OHIO

by Kitry Krause

On the edge of an old woodlot in the middle of the flat farmland of Ohio sits America's fourth largest auto manufacturer. Not American Motors. Honda of America. The first Honda Accord built in the U.S. pulled off the assembly line in November 1982; only three years later, Honda's production had moved ahead of Volkswagen's, now number six, and then American Motors's. This year, Honda plans to double production. Each year, the Accord has been named by *Car and Driver* one of the ten best cars in the world. In 1985, the magazine stretched its superlatives to the limit and said, "There's nothing wrong with a Honda Accord. Nothing." With that kind of reputation for quality and design, Honda has barely been able to keep up with the demand. In February, when GM dealers had a 70-day supply of cars on hand, and AMC dealers had an embarrassing 117, Honda dealers averaged a nine-day supply. In the first quarter of this year, Honda was the only American manufacturer to increase sales.

In 1980, when American companies were shifting pieces of their production to cheaper labor markets in Japan, Korea, and Mexico, Honda came to America to build its third auto plant. Its dealers groaned that American workers wouldn't be able to produce the same quality as the Japanese, and its financial analysts said it couldn't make a profit. Both fears proved wrong. Although Honda won't disclose the portion of its worldwide consolidated profit that comes from Honda of America, industry analysts say it's significant. The fall of the dollar, which has made Japanese imports more expensive, and continued quotas on imports can only make the American division more profitable.

Honda's quiet success in the backyard of American car manufacturers—and with American workers—seems to prove that there is a way to resurrect this country's heavy industries. Its success comes from its designs and engineering, from its efficiently laid-out plant, from its fanatical insistence on high-quality parts, but most of all from the productivity of its workers. That productivity comes not only because workers know that Honda's existence and their jobs depend on increasing productivity, but because workers are trusted to build that productivity themselves. That egalitarianism is reflected even in such simple things as everyone parking where he pleases in the lot, everyone wearing the

Kitry Krause is a Washington Monthly *staff writer.*

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same uniform, everyone eating in the same cafeteria, everyone going by his first name.

The virtue of this style of management is simple: workers who feel they have a real stake in a business work harder and more carefully, and are willing to work wherever they're needed. Intangibles, perhaps, but the cumulative potential—especially in an increasingly competitive industry—is enormous. Yet the trust that results from an honestly shared effort is easily undercut, particularly in a huge factory where the work is inherently tedious and pressured. Honda's effort is hardly perfect, but its struggle to create a humane workplace has so far given it much of its jump in the American market.

No collar capitalism

I had been invited to visit the Marysville, Ohio, plant in late April. I arrived at 7:30 a.m., a full hour after the first shift started, and parked where I pleased in the lot. My guide for the day, Roger Lambert, took me first into the office, which is one huge, unpartitioned room full of desks, file cabinets, and computer terminals. The president's desk, he pointed out, simply sits in one corner, next to a number of others. Everyone was in the same white uniform with his or her first name embroidered on it. No suits and no ties. There are no personal secretaries for the managers. If they are at their desks, they answer their own phones; if not, whoever is nearby takes a message. Parked at one end of the room were the two car models built at the plant, a knot of people standing beside them, and a sign that read "Washington Square" above. Lambert clearly was pleased to have such a whimsy to explain. This, he said, is the spot where no one may tell a lie, where any concern workers or engineers have about the cars being built must be stated.

As we strode off to the morning managers meeting, Lambert asked me how many companies I knew that would let me sit in on a meeting of top executives and managers. The meeting started at exactly eight o'clock. Short reports from the assembly line managers were given on accidents, rejection rates, downtime, and "countermeasures" for problems. Some managers asked for help solving problems, and Shin Ohkubo, an executive vice-president, reminded them to be sure to ask production workers for their suggestions. When the meeting broke up, most headed for the assembly line, not their desks. Lambert and I followed them into the plant.

The 1.7 million square feet of the plant is an awesome confusion of bright lights and moving machinery. Fifteen miles of conveyors cross and recross each other around and above the two half-mile main lines, cradling windshields, seats, and steering wheels that are directed by computer to arrive at each work station just as they're needed. Forklifts and trains of carts snake back and forth, ferrying the parts the conveyors don't. Two robot carts run alongside the line, following their magnetic tracks and playing their own synthesizer tunes to warn you they're coming. Their Japanese melodies fade quickly in the din of buzzing air guns, clanking presses, and sputtering welding robots. At one end of the plant, rolls of steel are pressed into doors and hoods; at the other, sleek Accords speed off the conveyor.

The plant's efficient layout is one reason Honda can produce a hundred more cars each day than AMC's Jeep plant does—with less than half the number of workers. Another is that where it has automated, it has designed its systems well. But it is not highly automated. It is, in fact, automating along its assembly line very slowly, only when it's sure a machine can consistently maintain the quality that line workers can. Generally, the only jobs that are now automated—such as welding and painting—are those that are heavy, dangerous, or that need to be done precisely. In last couple of years, many American companies jumped at the chance to replace workers with machines, but they have often been disappointed. The Ford plant in St. Louis, for example, put in equipment so sophisticated that workers couldn't use it, including a laser underbody inspection system that has never been used. "You try to tell the Americans that they can't buy themselves out of trouble with their super-high technology plants, but they don't listen," James Harbor, president of an auto research firm, told *The Washington Post* last year. "And this little company is beating them in quality simply in the way it uses people."

Unlike most car manufacturers, Honda has only two job classifications for line workers: production associate and maintenance associate (everyone is referred to as an associate). That gives management the flexibility to assign workers where they're needed, but it also allows workers to rotate jobs. Managers try to let people change jobs every six months.

The associates work in teams, usually of three to five people. In some teams everyone knows how to do all the jobs, and can switch around every two hours and break up the assembly line tedium. In other teams, each individual assembles an entire part, such as an instrument panel.

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Management plans to do more such "subassembling," having found that one worker can build an entire door, for instance, faster than several individuals can put in each piece. Workers who build such parts must initial papers for each, so that problems can be traced and corrected.

Separate teams inspect car bodies and parts at various points along the line, but workers are also responsible for checking their own work and that of those behind them. Quality can't be inspected in afterwards, said Lambert. Gordon Kunkler, who has been with Honda for three years, said later, "You're not penalized for mistakes. They want to make sure you look for them—they encourage you to."

Workers, instead of managers or engineers, often visit suppliers to work out problems or test new products. They also visit car dealers to hear their problems and their suggestions. Seventy workers flew to Japan last year to learn to build the 1986 Accord. They then taught their coworkers, including the engineers, how it was done. This year, the workers will train their Canadian counterparts to operate Honda's new Ontario line.

The production coordinators and team leaders, those in the first two (of only four) supervisory positions, spend most of their time coordinating, but unlike many line foremen, they also help train employees, stock inventory, catch up those who are behind, and fill in when people are absent. Every one of them has been hired off the line.

Honda's success has paid off for the workers—wages have risen about 5 percent each year, and benefits have also increased. Large attendance bonuses help explain why the average worker misses less than two days per year. Their compensation is now close to that of other workers in the industry. But the usual disparities between management and worker benefits are missing. Pension plans and bonuses for management and workers are calculated by the same formula. A single formula is also used to divide the 10 percent of Handa's pre-tax profits that it shares with its employees. (Only 4 percent goes to shareholders.) The average worker made $26,000 last year, not including overtime. Top corporate executives made an estimated $200,000—a lot, but nowhere near Lee Iacocca's $1.6 million base salary.

Participation in practice

I toured the plant on the day of two biannual events that showcase Honda's worker participation efforts. First was the biannual suggestion awards review tour. Scott Whitlock, senior vice president and plant manager, led Lambert and me around the plant, and listened to each of 72 production workers on the morning shift describe the suggestion he or she made for improving productivity, quality, or safety. Each worker whose suggestion is implemented receives a $50-$200 award. In the first quarter of this year, 450 such suggestions were made; almost half have already been implemented.

As we moved from work station to work station, hands were shaken, backs slapped, smiles exchanged, pictures taken. The suggestions were for things as simple as a plexiglass scraper to remove excess body sealer, to ones as complicated as a totally redesigned unloading bracket for pulling stamped car panels out of the dies. One worker designed a simple device to set glove compartments in straight. Until that jig was made, 100 dashboards every week had to be sent back for repair; a job that took three hours per dash. Now only two or three dashes come back each week. One woman who had trouble getting her immediate supervisors to fix grommet-setting equipment designed a suggestion form that requires a response from whomever it is directed to. The forms, and the big boxes with painted bulls on the sides that hold them, are now all over the plant.

Second were several quality circle presentations. One quarter of the workers participate in the circles—all of whom get paid overtime. They may choose any topic they like, and no one from management has to approve their choice. One group had figured out how to correct frequent bubbling of the padding that is applied to the dashboard. If there are bubbles, the whole dash has to be scrapped. The circle members all stood very straight and stiff at the front of the room, their hands behind their backs, as one member after another flipped through their carefully drawn and colored charts. They described how they had discovered and corrected one problem after another, yet without reaching the target they had set for themselves: a rejection rate of less than 1 percent per month. One member finally flew to Japan to work with the supplier of the padding, who, he found, had had trouble with the adhesive. The supplier agreed to be more careful, and the problem has nearly been eliminated.

The tour and presentations over, we walked back to the office where Al Kinzer, vice president and senior manager of administration, explained Honda's personnel policies. Some of them are strict. There are no sick days; vacation days must be used if workers are to avoid unexcused

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absences and the loss of their attendance bonuses. Only seven unexcused absences can put a worker on the Attendance Improvement Program, under which workers sign a contract, agreeing to quit if they are absent more than an agreed-upon number of days in the next few months.

Even in personnel matters management shares responsibility. Workers who have been fired can appeal to either a management review panel or an associates' review panel (ARP). If they choose to appeal to an ARP, they randomly pick six workers from a different shift to sit on the panel. One manager is chosen at the managers' meeting. The worker presents his case; a manager presents the case against him. Questions may be asked and then the panel takes a secret-ballot vote. The votes are counted only until there is a majority one way or the other. Thirteen cases have come before the ARP; three employees have been reinstated with back pay.

Lambert and I made one last stop for the day. We walked with Susan Insley, vice president of corporate planning, across the parking lot to the sports center. Heaven knows why, after working all day, there were people swimming in the pool, playing basketball, and doing aerobics. But there they were.

Insley described how, as the plant has grown larger—there will be nearly 4,000 employees by the end of the year—communication between workers and management has gotten more difficult. "We're still learning to work together," she said. "It's not a utopia."

"All the running you can do. . ."

And it's not. For starters, there are complaints about favoritism in promotions to management. Such complaints are common in any workplace and perhaps what favoritism there is at Honda is simply more apparent because so many people have been promoted so fast to keep up with the expansion. But almost every worker I spoke to thinks it is a serious problem. "They're looking for 'yes' people, not hard workers," says Ted,* who has worked in assembly for three years. "The vast majority of the time its who you know, who you play golf with." With dozens of new openings for team leaders, Ray Johns, who works in welding, says, "You have a lot of people right now stabbing each other in the back trying to get ahead."

Nearly everyone I spoke to also said that there's favoritism in job assignments. "A lot of people have put in time, worked hard, and they're still on the line," says Jim, who worked three years on the line before he was given a better job. "They commonly just hire people in. . . .There's no job posting and they never let you know on shift about openings," says Randy Neighbarger, who has been with Honda since the line started.

Yet it is the workload that seems to frustrate the workers the most. Somewhere along the plant tour, I stopped and watched the workers on the line. They move with remarkable swiftness. Their hands spin wrenches, connect wires, and set windshields with the perfect dexterity that comes only with repeating a motion thousands of times. There's no pause between the last motion of a task and the first motion when it's repeated. Having bagged flour in a mill for two years, I remember the tedium of doing the same thing over and over, day after day. But this is different. I could get ahead of the mill and stop if I wanted, but on the assembly line, the workers are under the constant pressure of a new door to weatherstrip or a new engine to mount coming at them every 72 seconds. The line is rarely down for long, and there are only two 10-minute breaks and a half-hour lunch per shift. "If it doesn't get you physically, it will mentally sooner or later," says Ted.

Here and there I saw people actually running to catch up. "If they're running a 350 [cars-per-shift] pace, you run," says Ray Johns. "It's a quick pace, but you can keep up." Management says it doesn't run the line any faster than GM; but the measure of hardship is not necessarily the speed of the line, but how much each individual is expected to do. There are, of course, easier jobs, such as driving a forklift, and harder ones, such as hoisting one end of a 60-pound driveshaft into place over your head. Still, every worker I talked to said that there are plenty of areas where the workload is unreasonable. "They give you whatever you can handle," says Gordon Kunkler. "If you can handle it, they give you more. You don't have any free time. . . .The pressure's there. You keep up so no one gets mad at you." Sam says that at one point his area was seven people short, but no one was hired to replace them until those who were left started calling in sick. "It was really nothing more than everybody being worn to a thread," he says. Ray Johns says he worked a job which a time study showed required two and a half people, but he worked with only one other. "We were running 99 percent of the time," he says. "I've always tried to do my best, so I'd try to keep up with the line. But we'd get

**Some of the people who were interviewed for this story did not want their names used. First-name-only pseudonyms have been used for them.*

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behind. I feel guilty when I do something like that."

Management sometimes pays a price for such pressure. "They break things in welding regularly doing things too fast," says Mike, who works in maintenance. "It would be better to slow the line down and do it right the first time."

The speed can also be dangerous. Sam describes how a man nearly got crushed on the rear-door welding line that normally runs one door every 56 seconds but is now running one every 42 to meet production demands in Canada. He says even his team leader says that someone will have to get killed before the pace is slowed.

Although management is proud of never having laid anyone off—and the expansion will ensure that for a while—a number of workers wondered what kind of job security they really will have if they can't keep up when they're 40 or 50. Or if they are permanently injured. Back and wrist injuries are common in some areas, as is nerve damage in the hands of those who use the constantly pounding air guns. I was told stories of people who were injured, then put back on the same job where they reinjured themselves. Sam says that when he hurt his knee, the company doctor told him to take the rest of the week off and then come back and do light duty for a while. He came back after only two days and was sent straight back to his old job. "They *are* productive," says Ted. "They just don't know when to stop about how much they can ask of their employees. But jobs are scarce. People are willing to put up with a lot of things just to maintain a job."

Honda's management has to know that favoritism, dangerous working conditions, and unequal workloads demoralize workers. And that demoralized workers are not productive workers. In fact, President Shoichiro Irimajiri said among other things in his New Year's speech to the workers that he was "very greatly concerned" that the workload be balanced. Because of that kind of concern, workers and management may well be able to work through the complaints, particularly if some of the solutions come from workers themselves. Ed Buker, senior manager in assembly, says that some of the team leaders had complained to him that they didn't get much chance to change jobs and wanted him to come up with a plan. "I said, 'You tell me!' " he says. So now they're working on a better way to rotate their jobs.

Yet enlightened procedures or decision-making participation don't change the inherent tedium and pressure of assembly line work, or make it anything more than endurable for many. Promotions off the line and better assignments are limited. Certainly, the more people are able to switch jobs, and the more opportunity they have to do subassemblies, the more bearable the work. More automation may lighten some of the physical load, but it won't necessarily give a worker time to rest, and there are limits to how much can be automated.

Moreover, competition in the auto industry is intense and getting more so. Two more Japanese auto manufacturers, Fuji (makers of Subaru) and Isuzu, announced in late May that they plan to build their own U.S. plants in 1989. According to a *Washington Post* report, some analysts say that if every company builds what it says it is going to build, there will be such a glut of cars by 1990 that some companies may get knocked out of the market. "On our assembly line we measure downtime in seconds," says Irimajiri. "When you have more than a thousand associates working together to build a car, it is the attention to seconds, not just the minutes, that determines your production efficiency."

With that kind of pressure on them, auto manufacturers are not likely to slow down their assembly lines or hire more workers just to be nice. And Honda's managers are going to be under just as much pressure to squeeze their workers as anybody. Continually rising wages just increase the pressure to demand more of workers. Wouldn't workers be better off asking for a little more help in return for giving up a bit of their wages? Or by giving up a little of their wages in return for a shorter week? And wouldn't Honda get an even more efficient, more productive workforce while maintaining the same production rate and cost?

An imperfect union

For all the anger and frustration workers expressed about problems in the plant, they are not yet bitter. Most seem to want to try to work out their problems with management by themselves, and have so far rejected the solutions offered by the United Auto Workers (U.A.W.), which has been trying to organize the plant since it opened.

Last fall, the U.A.W. said it had the support of the majority of the plant, and asked Honda's management to recognize it without an election. Management was skeptical and took a secret-ballot poll it claimed showed only a quarter of the plant wanted the U.A.W. The U.A.W., nevertheless, had signed union cards from a third of the employees, enough to force the election that

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was set for December. Then the U.A.W. filed three unfair labor practice suits against Honda with the National Labor Relations Board (NLRB), accusing management of holding its own election, of granting increased benefits during the drive, and of assisting an anti-union group within the plant. The charges were thrown out by the NLRB, though the U.A.W. is appealing. The December election was postponed, and then a few hundred new workers were hired. In March, the U.A.W. withdrew its petition. In a press release, it stated that "misinformation about the union" and "a rapid influx of new hires" had created a "poor climate" for an election.

Still, Jim Turner, the national organizing coordinator for the U.A.W., says that pressure from the union has had an effect. "If the U.A.W. wasn't here, they wouldn't be getting the benefits they're getting now."

Those who support the U.A.W. tend to be older and usually have been with Honda for a while. But much of the workforce is new, young (average age, 28), and from the surrounding rural area. Honda has hired most of its employees from within a 30-mile radius of the plant, a circle which includes farmland and small towns but just misses metropolitan Columbus. Unemployment in the area in 1983 was 12.5 percent. Honda is the best job many of its employees have ever had or are ever likely to have.

In addition to not wanting outsiders telling them how to solve their problems, many of the workers simply don't trust unions. Some who have farmed say that unions helped push their production costs up—more expensive tractors, for instance—until they couldn't make a living farming. Some fear the U.A.W. might cost them their jobs by pushing Honda out. Others fear they'll lose the open relationship they have with management, or that U.A.W. work rules will make it hard for them to rotate jobs.

Management says it has always been and will remain neutral on unionizing the plant. The Honda plants in Japan are all unionized, though the union is only for the company, not industry-wide. Takanori Sonoda, assistant to the senior vice president, says the difference between Japanese and American unions is one of "sentiment." "Japanese unions," he says, "think first of what is good for the company, then of what is good for the union." There seems to be an unspoken fear among those in management that if the employees choose the U.A.W., with its history of often bitter management-labor relations, that same kind of adversarial relationship will follow and kill their productivity.

While most workers agree the U.A.W. drive is dead for now, they say the need for some representation remains. "I'm the first to admit there's been a lot of union abuse in the past," says Ted. "But I get a little wary of nothing but praise and good press about Honda....Within a year or two, unless they get more help, you'll see a resurgence of union support." Even Steve Barker, the main organizer of the anti-U.A.W. group, says, "I think there's room for something. I'm not sure what."

Yet even the strongest unionizers appreciate Honda's approach. "It's good that you can talk to the vice president and call him by his first name," says Randy Neighbarger, who calls himself the top union organizer in the plant. "And the productivity concepts are good if they're actually carried out. The teamwork philosophy is good....It's not a bad place to work. I'm planning on staying. I just plan on changing them a little bit."

In the long run, whether workers and managers can work out their differences may determine Honda's ability to hold or expand its market. For now, Honda has the advantage of people who work hard and give a little more when it's needed. Scott Whitlock tells the story of how nasty snow storms last spring had set the plant behind in production. Demand for the cars was strong and the number of new dealers Honda could franchise depended on whether it could meet that demand. Everyone was already working heavy overtime. Management considered cutting production, but decided to first ask the workers. "We gathered the associates and offered them two plans. Continue with heavy overtime, or with very heavy overtime until Easter," says Whitlock. The reasons for the choices were explained and a long discussion followed. "The sentiment was about 90 percent to build. It was the hardest six weeks we've ever had....But everybody pulled together."

Honda has shown that it is possible to build high-quality cars in this country—and do it efficiently. If it seems near stumbling right now in its worker relations, perhaps that is because it has not yet learned its own lesson well enough. Thinking of his American—and foreign—competition, Al Kinzer said, "In 10 years, those that survive will be those who have a way of pulling their people together as a team, who are enlightened enough to know there's competition out there....We know it's coming. Somebody's going to be right. Somebody's going to be wrong. I have no fears." He smiled. "They're going to have to get more like us than we like they." ■

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The horrors that must be eliminated if the reform is to be real

ESSENTIALS OF TAX REFORM

by Robert S. McIntyre

Cynics said it could never happen, but Congress is on the verge of enacting real tax reform. Last December, the House passed a monumental bill; this May, the Senate Finance Committee approved its own terrific version. If a good bill emerges from the House-Senate conference and the President signs it into law, then taxpayers can celebrate and doubters of the democratic process can begin rethinking their opinions.

But the conference promises to be one of the most heavily lobbied ever, so let's keep in mind the danger that in the horsetrading, certain key reforms—the ones that end the worst abuses—may be trampled on. Here are those essential reforms and the horrors they will end. Without these reforms, we won't have true tax reform.

Cut taxes for the poor

☐ *Horror Story # 1*: While the rich have enjoyed the President's 1981 tax cuts, working poor families have watched their tax rates skyrocket. In 1979, a couple with two kids and one spouse working 51 hours a week at minimum wage had a gross annual income of $7,395—exactly the poverty line. Their total tax burden was $128, or 1.7 percent. By 1985, a family living on the same income (after inflation) made $11,016, but they paid $1,176 in taxes. That's an effective rate of 10.5 percent—a five-fold increase over 1979.

Supply-siders in the White House and on Capitol Hill caused this experiment in regressive taxation in 1981 when they refused to adjust three key tax provisions for inflation.

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The first was the *standard deduction*. This is the sum—currently $3,540 for couples—you get to deduct if you don't itemize. The second was the *personal exemption*, the $1,040 you can deduct for yourself and each member of your family. The third item was the *earned income tax credit*, a tax rebate to working poor families that offsets part of their Social Security tax. Together, these three provisions kept the effective tax rate on working poor families low before 1981. Not raising the value of these provisions as the cost of living rose, inevitably meant vastly higher tax rates for these families. Having argued that welfare gave the poor an incentive not to work, the Reagan administration turned around and gave them another one.

☐ *Essential Reforms # 1*: Raising the value of these three crucial tax breaks and permanently indexing them for inflation is the surest way of giving needed relief to the poor. Both the House and Senate bills do this. Either bill, if passed, will reduce the combined income and Social Security tax rate on a poverty-level family of four from what would have been 11 percent in 1988 under current law to less than 3 percent. A higher personal exemption will also give relief to large families who, because the exemption hasn't kept up with inflation, have also been hard hit.

End corporate freeloading

☐ *Horror Story # 2*: In 1983, General Electric's subsidiary, General Electric Credit Corporation, discovered that Union Pacific, the railroad conglomerate, had millions of dollars worth of investment credits and depreciation tax deductions from its new refinery in Corpus Christi, Texas.

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But because Union Pacific had already used other tax breaks to reduce its tax rate to around 1 percent, these extra write-offs were all but worthless to it. So G.E. Credit Corporation and Union Pacific cut a "sale-leaseback" deal. G.E. paid Union Pacific a fee in exchange for receiving title to the refinery, which G.E. then leased right back to Union Pacific. Union Pacific continues to operate the refinery as before; but since G.E. Credit "owns" the facility, it can use all the tax credits and deductions it generates to offset G.E.'s income tax liabilities. G.E., in essence, bought Union Pacific's surplus tax breaks.

Creative accounting like this has worked wonders for G.E. In 1978, the company paid about one-third of its U.S. profits in federal income taxes. From 1981 through 1984, however, G.E. paid nothing at all, despite domestic earnings of $9.6 billion. Indeed, G.E. used those breaks to get Uncle Sam to rebate $98 million in taxes the company had paid prior to 1981.

While the working poor saw their tax rates zoom after 1981, corporations shrank their taxes dramatically by behaving much as G.E. did. Two tax law changes in 1981 made this possible. The first expanded the use of *investment tax credits*—a provision that lets companies deduct ten cents for every dollar they spend on new equipment. The second let businesses write off the costs of new buildings and machines far faster than they actually wear out—a practice called *accelerated depreciation*. Business autos, for instance, can now be written off over two and a half years, even though a typical car lasts almost ten years; business machines, in general, can be deducted in four and a half years, usually a fraction of their actual working lives.

G.E. is hardly alone in having used these gimmicks to avoid paying taxes. A Citizens for Tax Justice survey of 275 of America's largest and most profitable corporations found that almost half managed to pay no income taxes in at least one year between 1981 and 1984. Fifty of the companies—among them such household names as Boeing, Dow, and ITT—paid nothing for the entire four year period. In fact, they gained billions of dollars in tax rebates. Whole industries now pay little or nothing in corporate taxes. Eight of the top 12 defense contractors, paid less than 1 percent of their profits in federal income taxes from 1981 to 1984. The tax rate on big banks and insurance companies was a negative 3 percent. If that's not enough to pique your outrage, consider this: five American oil companies still pumping oil in Libya, including W.R. Grace & Co., paid a total of nothing to the U.S. Treasury, while providing several billion dollars a year in taxes to the Qadaffi government.

Wait a minute, you say. Maybe there's something to supply-side arguments that these kinds of tax cuts provide incentives for investment and create jobs. Well, let's look at the facts. Since 1981, business investment in the new equipment that was supposed to have been stimulated by the cuts has increased at an annual rate of just 1.9 percent—less than one-third the rate of increase in such investment from 1976 to 1980.

In fact, the companies that enjoyed the biggest tax write-offs actually performed the worst. Those giant, profitable firms in the study that paid no tax between 1981 and 1984 cut investment by 4 percent, cut employment by 6 percent, and cut exports by 15 percent—even as they splurged on mergers, paid out higher dividends, and raised top executive salaries by 52 percent. On the other hand, those companies that used tax breaks the least—and paid the highest taxes—increased their capital spending by 21 percent and their workforce by 6 percent.

☐ *Essential Reforms # 2*: The first step towards bringing corporations back into the tax-paying fold is to eliminate the investment tax credit—a $34 billion item in 1990. Both the House and Senate bills do this.

But when it comes to taking on the other big corporate tax loophole, accelerated depreciation, they diverge widely. The House bill is very effective: it requires companies to write off their capital assets as they actually wear out. The Senate plan, on the other hand, makes depreciation write-offs more generous than current law for equipment—although less lucrative for buildings. By 1990, the House depreciation reforms would raise more than $15 billion a year, while the Senate changes wouldn't raise a nickel. The Senate also left open holes in the tax code for the benefit of defense contractors, oil and gas producers, and others.

Both the House and Senate bills try to plug leaks with a minimum corporate tax provision. Here, too, the House's 25 percent minimum tax is tougher than the Senate's 20 percent version. Some corporations would be sure to figure out accounting techniques that let them legally avoid paying even this minimum tax. No corporate executive who wants to keep his job, however, would dare not report profits to shareholders. A nifty feature in the Senate bill exploits this fact and would therefore be the ultimate corporate tax dragnet: a requirement that companies pay no less in taxes than 10 percent of the income they report to shareholders. Added to the House's cor-

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porate tax rules, this feature would put an end to corporate freeloading.

Cracking down on tax shelters

☐ *Horror Story # 3*: The Valley Mall in Washington County, Maryland, isn't an egregious example of a tax shelter, but a typical one. Built in 1974 in classic This Could Be Anywhere In America style, the 95-store mall was sold in 1983 to 188 tax shelter investors, none of whom lives in Washington County. A New York City lawyer named Alan C. Winick is the brains behind the deal. He sold limited partnerships to 187 doctors, lawyers, businessmen, and to one-time presidential candidate, George McGovern.

McGovern initially invested $23,000 in Winick's deal. That money, plus contributions from the other 186 investors, gave Winick $2 million—5 percent of what he needed to buy the mall. The rest he borrowed; some from the previous owners (who were also using the mall as a tax shelter), some from a bank. The first key to real estate tax shelters was thus in place: *leveraging*. For each dollar put in by an investor like McGovern, the firm borrowed $20: McGovern's $23,000 initial investment allowed Winick to borrow $460,000. Because it was what bankers and shelter promoters call a non-recourse loan, McGovern himself is not liable for that extra $460,000 should the deal somehow go sour. Nevertheless, a special loophole for real estate lets him take tax write-offs based on the whole $460,000 "investment" against his personal income taxes.

This ability to leverage his losses lets McGovern claim a 20-fold write-off on the biggest post-1981 tax break: *accelerated depreciation*. The federal government used to figure a commercial building deteriorated and lost its value after 35 years—which isn't necessarily the case, since commercial properties tend to *increase* in value over time. The 1981 tax changes let owners pretend their properties depreciate in 15 years (Congress later increased this to 18 years). That more than doubled the depreciation "loss."

Once the paltry income from the mall's rent was taken into account, depreciation deductions and interest write-offs produced a $57,600 tax "loss" for McGovern in the first six months. Since he is in the 50 percent bracket, he saves roughly $28,800 in taxes. That's $5,800 more than he put into the shelter. This netted him a 37 percent annual rate of return *after taxes*, or about ten times better than what he could have gotten in a good money market account at current rates.

But we're not done yet. Because of the tax breaks, Winick's investors happily paid more for the Valley Mall than it would otherwise be worth. Because interest and maintenance costs are greater than the rent from the 95 stores, the partners agreed to contribute additional money each year to make up the difference. McGovern, for instance, kicks in an annual $41,475 extra—and takes out another $104,000 in tax deductions.

After seven years, the partnership plans to sell the Mall. If the partnership can sell the Mall for a price high enough to return McGovern's money—making the investment the functional equivalent of stuffing money into a mattress for seven years—then McGovern gets another huge bonus. Remember, he's already written off his $313,000 investment as a loss. That means any money he gets back from the building's sale should be taxable as income. But because it comes from the sale of a building, that income is technically a "capital gain" and therefore qualifies for the *capital gains exclusion*. This break exempts investors from paying taxes on 60 percent of what they make when they sell stocks, bonds, real estate, and so forth. In McGovern's case, the break saves him another $87,000 in taxes and boosts the shelter's rate of return to almost 54 percent.

A confident David Stockman predicted in 1981 that lowering the top individual tax rate from 70 to 50 percent would "eliminate" tax shelters like these by reducing the wealthy's incentive to shelter their money. Instead, investments in tax shelters jumped 140 percent from 1980 to 1983.

The chief cause, once again, was the 1981 tax code. *Accelerated depreciation* and increased *investment tax credits*, the same breaks that failed as productivity incentives for corporations, inspired instead a burst of creativity from tax shelter promoters like Alan Winick. And the rate drop combined with the capital gains deduction created a double-decker tax break for investors rich enough to take advantage of shelters such as the Valley Mall.

Tax shelters may be great deals for the rich, but they're terrible for the rest of us. For one, they increase the deficit—you and I each pay $300 a year in extra taxes to cover tax shelter losses. They also undermine the basic fairness of the tax system—last year, for instance, Treasury found almost 30,000 people making over $250,000 who used tax shelters to pay virtually nothing in income taxes.

Tax shelters also squander valuable capital. Llama raising, embryonic cattle breeding, treasure hunting partnerships, foreign stamp

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speculation—if these don't strike you as especially promising or prudent investment opportunities, you're right. While the appeal of most other investments is profit, the appeal of these tax shelters is the "losses" they generate. Wealthy investors write these paper losses off against their high-bracket incomes and come out saving great sums of tax money. For instance, your income may be $1 million, but if you can claim a $400,000 "loss," you only have to pay taxes on $600,000. If you're in the 50 percent bracket, you've just saved $200,000 in taxes. That's fine if you actually lost the money, but as the Valley Mall example shows, tax shelters allow you to claim losses you didn't personally suffer.

Tax shelters aren't just unproductive; sometimes they're destructive. In the Sand Hills region of Nebraska, for instance, tax shelter developers, using fast depreciation and special agricultural tax breaks, irrigated thousands of acres of grazing land. They then parceled out the land to shelter-seeking investors across the country. The promoters and investors—most of whom knew nothing about agriculture—thought the tax savings on the irrigation equipment would tide them over until the land could produce crops, after which they could sell out for a profit. Local ranchers, however, warned that the soil was too thin and sandy to ever support crops. The ranchers were right. Irrigation and cultivation caused the topsoil to blow away in the wind, ruining much of it even for grazing purposes.

The problem with tax shelters—and all business tax "incentives"—is that they encourage investments that make no economic sense in the absence of a tax subsidy. Indeed, that's the very purpose of the "incentives"—since projects that do make sense will be undertaken anyway. For instance, commercial real estate limited partnerships—the biggest tax shelter bonanza these days—has led to an office building glut that has even die-hard civic boosters blushing. The national office vacancy rate, 3.8 percent in 1980, now hovers around 18 percent. This is *after* four years of economic growth.

☐ *Essential Reforms # 3*: George McGovern probably doesn't think of himself as a sleazy tax avoider for investing in Valley Mall. Indeed, he would doubtless be the first to thank Congress for ending their corrupting influence. Several provisions in the House tax reform bill help a lot: strong restrictions on business "incentives," more realistic depreciation rules, a tough individual minimum tax. But here it's the Senate's bill that goes to the heart of the problem. If we really want to kick the slats out of the tax shelter business, we should follow a few simple steps in the Senate's plan.

First, we should adopt the Senate's *passive loss rule*. Currently, investors can also apply the losses from "passive" investments, such as limited partnerships, to shelter profits from "active" sources, such as salary income and earnings from investments such as stocks and bonds, and reduce their overall taxable income. By prohibiting the subtraction of surplus tax losses from regular income, the Senate's passive loss rule will take away most of the incentives people now have for investing in tax shelters. To ice the cake, we should impose an *at-risk rule*, which states that an investor can't write off losses on money for which he is not personally liable, such as the nonrecourse loans that multiply McGovern's deductions. At-risk rules apply to almost all other investments; they should apply to real estate as well.

Second, we should eliminate the special tax break for capital gains, as provided for in the Senate bill. This will do more than help wreck the tax shelter industry. It will also restore almost a quarter of the incomes of the wealthiest Americans to the tax rolls—the richest 2 percent of Americans now get more than 85 percent of the benefits of the capital gains exclusion. Ending the break will, like the other reforms described above, make the tax code more progressive.

Some people fear that ending the capital gains deduction will cause money for new, risky, jobs-producing enterprises to dry up. In fact, most of the money that has flowed into venture capital funds that invest in new businesses has come from pension funds and other tax-exempt sources that don't benefit from the capital gains break. What *has* attracted this money are not tax breaks, but average annual rates of return of 25 percent or better. Eliminating tax shelters by ending such breaks will almost certainly cause more money, not less, to flow into productive new businesses.

The only ones certain to lose if we end the capital gains exclusion are lawyers, accountants, and tax shelter promoters. Eliminating the break will also, without doubt, be the biggest simplification of the tax code ever. As much as one-third of the tax code represents rules that govern when capital gains treatment is and is not allowed.

The House bill cracks down on corporate tax shelters; the Senate plan cracks down on personal tax shelters. Both bring long-overdue tax relief to the poor. Combining the best aspects of both bills is the obvious final step. Doing so would create a fairer tax system—and lower rates—for the vast majority of us, who pay our share, year in and year out. ■

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THE WORLD ACCORDING TO BRZEZINSKI

by Paul Warnke

Dr. Brzezinski's world is not one that I recognize. I'm glad I don't live there. The basic premise of his interesting, if at times bewildering book, is that the United States and the Soviet Union constitute two imperial systems engaged in a global conflict in which one or the other will prevail. His conclusion is that the present "bilateral imperial coexistence" cannot endure indefinitely. Indeed, Dr. Brzezinski asserts that "the United States and the Soviet Union by all previous standards should have gone to war against each other on many occasions." He maintains that the contrasts between the two countries are greater than those that brought us into war against Nazi Germany. As he sees it, "without the fearful restraint generated by the destructive capacity of nuclear weapons, the two superpowers in all probability would have gone to war against each other on more than one occasion."

Dr. Brzezinski apparently believes the global competition between the United States and the USSR to be so pervasive and so much the product of centuries-old Russian ambition that even a complete and healthy change in the Soviet political and economic system would leave us locked in a struggle for world domination. In his world: "In a paradoxical sense, for America, communism in Russia has been a historical blessing because it has locked the immensely gifted and patient Russian people into a system that stifles, squanders and sacrifices their great potential."

As I see it, the United States and the Soviet Union have not gone to war because there is no necessary conflict between their genuine "geopolitical interests." The survival and well-being of neither depends on taking something away from the other. And whatever Mr. Gorbachev's failings, he does not appear to be a Stalin or Hitler and his Politburo colleagues will see to it that he stays that way.

Nor can I see that either power has the attributes of a true imperium. In Dr. Brzezinski's delineation of Moscow's Empire, he includes the 545 million people in the Soviet Union itself, its Eastern European satellite states and what he calls its "imperial clients," notably Cuba, Nicaragua and Ethiopia. For the United States, its imperial system is said to embrace the 780 million people living here, in allied countries and in those of "dependent clients." Unarguably outside both purported imperial systems are the People's Republic of China, with a population of over a billion, and India, with about as many people as ascribed to the American empire.

Western Europe, though tightly linked to the United States, is miscast in this analysis. If we elect to treat these vibrant countries as dependent clients by, for example, making unilateral decisions to pursue strategic defense, and scrap existing constraints on offensive systems, they may reassess their voluntary affiliation and pursue a course that takes them well beyond the greater self-reliance that Dr. Brzezinski urges.

As the author recognizes, any Soviet claim to imperial status is gravely impaired because they lack the respect once given to the Romans and now, even if grudgingly, to the United States. Soviet representatives at times seem to feel like Rodney Dangerfields on the international scene. Moreover, I am not conscious that "much of the global discourse" is devoted to debate about the relative merits of American and Soviet political and philosophical concepts. For many in the developing world, the superpower competition is largely irrelevant and even a big bore. And when it comes to the relative appeal of American and Soviet ideas, it's no contest. We're easily the more lovable superpower.

Nor can I see that we have been blessed by the fact that the Russians are trapped in a repressive and uncreative system. The world would be

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**Game Plan: How to Conduct the U.S.-Soviet Contest.* Zbigniew Brzezinski. Atlantic Monthly Press, $18.95

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blessed rather by the evolution of the Soviet Union to the stage of political freedom and private initiative. As a precedent, I do not, for example, regret the emergence of Japan as a modern, free and highly industrialized society. They are a formidable competitor in world trade, but I don't look back with nostalgia at the Japan that bombed Pearl Harbor. Similarly, I have no gnawing apprehensions about a world in which the USSR might become a free market democracy. I see no reason to assume that it would be intractably hostile to the United States and its interest.

I do not disagree, however, with several of the author's prescriptions. With regard to our conventional force posture, I believe he is right in stressing the proper mission of the Navy as sea control, not land attack on the Soviet homeland. I also agree that we ought to have rapid deployment forces that can help us respond to military challenges to American security other than a Soviet invasion of Western Europe. Moreover, to the extent that he suggests that we should be "prepared to apply force at any early sign of Soviet or Cuban military involvement" in Central America, I am in full agreement. But a counter-intervention policy is the antithesis of his suggestion that we might intervene militarily to achieve "internal self-determination" in Nicaragua. I would be equally opposed to the use of our military forces to achieve self-determination for the people of Chile, or the vast majority in South Africa. Dr. Brzezinski, however, believes that our mistake in the Bay of Pigs fiasco was in not committing U.S. military forces. Had we done so we would have given the Soviets a model for the superpower intervention known as the Brezhnev Doctrine.

It is with respect to his views concerning strategic nuclear weapons that I find myself in greatest disagreement with the author's premises and proposals. I believe he is mistaken both as to the versatility of nuclear weapons and the present value and potential of nuclear arms control.

Whatever the rationales for first use of tactical battlefield nuclear weapons, there are no circumstances under which it would be in the interest of the United States or Western Europe to convert a conventional war into a strategic nuclear exchange. The notion that either the United States or the Soviet Union can employ nuclear weapons, as Dr. Brzezinski puts it, "at levels ranging from the tactical to the strategic, selectively at a large variety of targets and over protracted periods of time," does not withstand analysis. As the author points out, this was an underlying thesis of Presidential Directive 59 issued by President Carter in June of 1980. PD 59 called for the ability to fight a limited and protracted nuclear war. When this approach was ridiculed as a terminally bad joke, then-Secretary of Defense Harold Brown rationalized it as an enhancement of deterrence. In a speech to the Navy War College, he explained, in effect, that we knew there could not be a limited and protracted nuclear war, but we could not be sure that the Soviets knew it, and therefore for the sake of deterrence, we had to pretend we did not know it either.

But Dr. Brzezinski takes PD 59 seriously. He proposes the carefully calibrated deployment of first strike weapons and strategic defenses that would "not deprive the Soviet side of the assurance that in all circumstances it would still retain a broad retaliatory capability against U.S. society." Although elsewhere he disparages the "antiquated doctrine of mutual assured destruction, [MAD]" what he proposes is to try to tinker with MAD, thereby creating ominous consequences for strategic stability.

Perhaps Dr. Brzezinski's major misapprehension has to do with his perception of America's vulnerability. He suggests that, "Under prevailing conditions, it is *unlikely* that any Soviet military planner could *confidently expect* that a Soviet nuclear attack would so disarm the United States as to prevent an extremely damaging retaliatory response." [Emphasis added]. Elsewhere he characterizes the strategic balance as one in which the Soviets could have "no *assurance* that the United States would be *unable* to inflict massive destruction on the Soviet Union in the event of a Soviet first strike." [Emphasis added]. According to Dr. Brzezinski, our relative position is inadequate and steadily weakening.

The fact is that we are less, rather than more, vulnerable to a first strike than is the Soviet Union. Over half of our strategic warheads are in the least vulnerable basing mode, the submarine. By contrast, more than 75 percent of the Soviet's strategic warheads are in the most vulnerable basing mode—land-based intercontinental ballistic missiles. The survivability of submarine-launched ballistic missiles is being increased by the deployment of the longer-range Trident C-4 and D-5. Long-range cruise missiles on our strategic bombers add significantly to the strength and survivability of this part of our deterrent triad.

The centralized direction of the USSR from Moscow, and the less than voluntary allegiance

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of its component states, renders it politically far more fragile than the United States. Far-fetched as the scenario may be, a limited exchange costing them Moscow, and us Washington, would leave us with a country. It's less clear where it would leave the USSR.

In arguing for strategic defense as a needed stabilizing component, Dr. Brzezinski asserts: "Of course, if the initiative is technically unfeasible, economically ruinous, and militarily easy to counter, it is unclear why the SDI would still be destabilizing and why the Soviets should object to America's embarking on such a self-defeating enterprise, and even less clear why the Soviets would then follow suit in reproducing such an undesirable thing for themselves."

The reasons why are not that hard to find. In the late 1960s, the Soviets were moving toward a territorial anti-ballistic missile defense. We knew it to be a mistake for them, but we knew also that we would have to take measures to counter it and to match it, and that these measures would be expensive and would trigger a race in offensive arms that would leave both sides less secure. The same reasoning applies today. As pointed out by Secretary of Defense Caspar Weinberger in his letter to the President just before last November's Summit, even a probable Soviet territorial defense would mean that we would have to increase rather than decrease our own offensive strategic forces.

It was our concern about Soviet anti-ballistic missile defenses that led to the first SALT talks in 1969. Today, there is still no alternative to negotiated arms control as a means of ensuring strategic stability. But, Dr. Brzezinski parrots the tired charge that arms control agreements have "had the effect of uniquely obstructing the modernization of U.S. forces." A more legitimate complaint is that they have not done enough to restrain the build-up of nuclear arsenals on both sides.

Under the terms of the agreements, however, care has been taken to permit the kinds of modernization that would improve survivability of the retaliatory deterrent. In this respect, the United States has been free to do, and has done or is doing, everything that makes sense and some things that make little or none. The longer-range submarine ballistic missiles, the cruise missiles on strategic bombers and mobile missiles have all been permitted, along with less sensible programs. The sorry history of the MX missile need never have been told if we had had the wisdom to accept a Soviet proposed ban on any new ICBMs with multiple warheads. What has hampered MX development and deployment (though not enough) is the absence of a strategic rationale for it and growing popular appreciation of the ludicrousness of the various basing schemes, including the multiple shelter plan of the Carter years. (It should be noted that this plan did not involve "two-hundred survivably based launchers with two-thousand missiles." The scheme was that 200 missiles would wander among 4,600 shelters.)

At the present time, neither side can have any legitimate concern about the survivability of its deterrent. This strategic stability can be preserved and even enhanced by relatively simple measures of nuclear arms control. But instability can be created if, as recently announced, the Reagan Administration scraps the SALT restrictions and, as Secretary Weinberger and others advocate, repudiates the ABM Treaty. This could lead to massive increases in offensive warheads, deployment of strategic defenses of unknown and unknowable properties, and a resulting situation in which each side will have a legitimate apprehension that striking first may be the least bad choice at a time of major crisis.

The avoidance of that risk must take priority in any sensible policy for U.S.-Soviet relations. Separating arms control from geopolitics, contrary to Dr. Brzezinski's apprehensions, will neither generate euphoria in the American public nor lead to unilateral disarmament. It will mean that the inevitable political differences between the two countries will not present a growing risk of nuclear catastrophe.

I believe that Dr. Brzezinski overstates the intensity and inevitability of the global contest in which the United States and the Soviet Union are engaged. But to the extent that he is right and I am wrong, arms control becomes even more important. Even in his world, they would share an interest in rational survival. ■

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IN SEARCH OF ARROGANCE

Nader on the narrow vision of America's top CEOs

by Thomas J. Peters

Newsweek devoted two columns of its June 2, business section to the Ralph Nader and William Taylor book, *The Big Boys: Power and Position in American Business.** In an article entitled "Has Nader Gone Soft?" the reporter as much as snickered as he concluded: "[Nader] sets off in search of corporate pestilence but finds excellence instead."

Not in the eyes of this beholder. After reading the book, I was left deeply shaken. I would not have supposed that possible, given my long-standing indictment of the performance of the Fortune 500 chieftains.

No portrait of the nine business leaders Nader profiles in his book is entirely pretty. U.S. Steel Chairman David Roderick abandoned his industry, using time and money largely gained by protectionist policies to acquire Marathon Oil and Texas Oil and Gas, valued at $9 billion. Part of the move out of steel may have been necessary, but his insensitivity is shocking. Roderick explains his repeated failure to meet with community leaders who wanted to develop an alternative use for the about-to-be-closed South Works in Chicago: "Look, I don't want one of these goddamned committees coming in here—a priest, a Boy Scout, and a housewife—telling me what to do. We're here to make money."

General Motors Chairman Roger Smith was equally insensitive about the destruction of Poletown, the impoverished Detroit community that made way for a new GM plant. He also publicly humiliated on television (on "Donahue") seven governors who groveled to get him to locate GM's Saturn operation in their state, a setup former United Auto Workers President Douglas Fraser called "obscene." Smith gave speech after speech about forthcoming car models that would have seven onboard computers featuring 38,000 instructions. But now he can't get the cars to work and GM is losing its market share each quarter to Ford, Chrysler, and the imports.

Northrop Chief Executive Thomas Jones is a super salesman, having led his defense contracting firm to outperform the industry by a wide margin since 1960. But are we well served by an exchange that Nader describes during the most recent annual shareholders' meeting? "Jones was asked by our correspondent to reflect on the deadly impact of the product his corporation manufactures. Admiral Hyman Rickover, in his farewell testimony to Congress, told legislators that he would sink all the nuclear-powered ships whose construction he had sponsored were they not a necessary evil. Has the Northrop chairman ever had similar reservations about the wisdom of his work? 'I've not had similar thoughts,' Jones said with a smile. The auditorium rang with a chorus of approving shareholder laughter." I sadly acknowledge the need for weapons, as did Rickover, but I find the topic far short of amusing and I am saddened that any chief executive would behave so flippantly regarding this grave topic.

Even giant-slayer Bill McGowan, head of MCI and humbler of AT&T, is somewhat tarnished. His cause was noble and his outspoken demeanor most refreshing. Nonetheless, Nader suggests that McGowan has simply created one more long-distance telephone company that soon will be part of a new oligopoly of a half-dozen companies in place of AT&T's monopoly.

Then there is William Norris of Control Data Corp. Nader admires his vision, which epitomizes the CEO's power to extend the corporation's aims. Inner-city and farmland ventures dot the CDC agenda, along with the billion-dollar PLATO (Programmed Logic for Automatic Teaching Operations). But Nader's profile depicts at least as much ego and arrogance as thoughtful application of power. Surely shareholder wealth-creation is not all there is to life, but Norris has

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**The Big Boys: Power and Position in American Business.* Ralph Nader and William Taylor, *Pantheon, $22.95.*

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run roughshod over his board of directors in pursuit of grandiose visions, crippling his balance sheet in the process and making the firm vulnerable to takeover. Specific practices such as the "Shark Club," which celebrates occasionally unscrupulous sales victories, further blur the picture.

Is this the excellence *Newsweek* claims Nader has found? In fact, only one of Nader's chief executive officers comes through with tiny blemishes—Dow Chemical boss Paul Oreffice. Oreffice faces a transition that equals Smith's or Roderick's in autos and steel. However, he has stayed with chemicals and quickly transformed the firm from a sluggish, basic-commodity producer to a faster-moving specialty chemical producer that emphasizes pharmaceuticals and consumer products. Moreover, the wrenching transition was accomplished while maintaining, at great expense, a "no layoff" policy. Nader even praises some, but not all, of Dow's environmental policies.

Nader's avowed objective is to weigh the use and abuse of power among American leaders of giant businesses. He observes that chief executive officers are granted exceptionally wide latitude. Ironically, they are granted especially wide latitude when business performance is poor; though they are arguably to blame for such malaise, the historic American tendency has been to leave them alone to oversee the recovery when things get tough.

Nader digs deeper and asks a broader set of questions, to my knowledge, than has ever been asked of chief executives. Even in the case of Roger Smith, for whom there is doubtless little Nader fondness (Nader was once trailed by GM-hired private eyes), his reporting is scrupulously balanced. He draws heavily upon secondary sources and interviews with numerous current and former colleagues and industry participants. Moreover, six of the nine principals granted Nader extensive interviews (Smith and Jones did not). But even in the three cases where the CEOs did not participate, the story Nader pieced together is extensive.

Nader's portraits are complex. His chief executive officers are not simple villains or heroes. They are not one-dimensional men. All are intelligent and a few are strikingly intellectual (Oreffice, Roderick). While some do hide from public view (notably Roderick and Smith), some, even in beleaguered industries and on sensitive topics, are outspoken to the point of bellicosity (Oreffice, McGowan and Norris).

Though lush with compelling data, the book often rambles. Moreover, Nader never really answers his question: Do these men abuse power? Numerous vignettes, sprinkled throughout the profiles, hint that they do; as many anecdotes suggest they don't. The result is that the complexity of these men is revealed. But Nader's steadfast refusal to draw inferences ultimately frustrates his purpose. The nine profiles are presented back-to-back without analysis, other than a concluding paragraph at the end of each 50- to 80-page sketch. Even the introduction and conclusion to the book are skimpy.

In these few analytical lines, Nader's primary concern is not whether the chief executives abuse their power, but that they fail to use it toward the broad social ends Nader would like. He cites, for instance, Harold Willens, a southern California executive and author of *The Trimtab Factor*, for his support of anti-nuclear policies, and wonders why none of the chief executives he profiled took proactive positions about such vital public issues.

There are limitations to this line of argument. Nader restricts his analysis of the companies to their chief executives. He does not discuss corporate governance—in particular, the fast-changing relationship between CEOs and their boards of directors. In fact, in today's environment of increasing director liability, chief executives arguably have a much shorter leash than Nader infers. Boards have long been accused of existing only to rubber-stamp the decisions by the incumbent chief executive and preserve his power. This is much less the case today than in the past. But even to the extent that it is true, the board provides the rubber stamp only because it and the chief executive agree upon a relatively narrow agenda. I suspect that few boards would stand still for a CEO who became a pro-freeze activist, for instance, even though a modestly active civil rights posture might be admired. The thoughtful stance of James Burke of Johnson & Johnson in the case of two Tylenol tragedies is widely admired. On the other hand, one cannot forget the laughter of Jones's audience at the annual meeting; pro-nuke activism is apparently okay among southern Californian aerospace firms.

Among Nader's profiles, Norris is the only CEO who did appear blatantly to manipulate his board. However, CDC's performance has been so problematic in the last six years that signs of board restlessness have been widely evident. In fact, many analysts suggest that the recent and belated appointment of a Norris successor was done over his strenuous objection.

In some areas, these executives are not shy

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about the bald use of their power. Nader cites the strong opposition to Political Action Committees (PACs) of Irving Shapiro, former DuPont chairman and top Democratic businessman-advisor to the Carter administration. But the view of Oreffice is much more common: Oreffice loves PACs. Businesses' purchase of politicians via the PACs is an increasingly prominent—and questionable—feature in the political landscape.

In addition to PAC power, business is openly exercising a new-found power. In the face of regional transitions in the manufacturing sector, anything now goes in the name of saving jobs. Once again, problematic past performance leads to more power, not less—the power to decide where the shrunken job base will reside. And along the way, so much for airbags, and gas mileage, safety, and environmental standards. Public officials regularly make spectacles of themselves in relentless pursuit of new jobs. And businessmen have learned to play the game.

Though the business agenda is much narrower than Nader wishes, business activism is at an all-time high. As it should be. The stakes are awesome. The current tax code resulted in a negative 1 percent tax rate for the chemical industry, compared to 27 percent for pharmaceuticals and 26 percent for computers. Sadly, I feel, victories in Washington, D.C. on even minor tax-code issues achieve the biggest return on a chief executive's investment of time. Lobbying will determine more of a CEO's legacy than whether or not his company's car or phone system or computer works effectively. McGowan of MCI, the closest to a Nader hero in this set of profiles, is an exemplar of the new priorities. The MCI founder, Jack Goecken, wished to create a company that provided innovative services; since his ouster by McGowan, for instance, he has become the founder of Airfone. McGowan's forte is very different: he is MCI's master of litigation and regulatory strategy.

Nader does not provide any framework to deal with how businesses ought to use the power they have—the power to create jobs, to capriciously shift jobs about, to shift industry focus, to affect the Washington agenda regarding the industry, to affect a broader social agenda. Vignettes on the use, abuse or shunning of power dot the book, but no systematic conclusions are reached.

Robert Reich, in *The Next American Frontier,* coined the phrase, "paper entrepreneurship." He chronicled the growing tendency of managers to value manipulating paper over constructing quality products and delivering quality service. The paper entrepreneurs' game is the number one business power game, and Nader chose to neglect it. Its cost, in terms of failure to attend to business basics, is huge. In addition, economists Barry Bluestone and Bennett Harrison, in *The De-industrialization of America,* estimate that 27 million people have been dislocated because of the heartland's economic trauma. How many of the uprootings could have been avoided by attention to business basics is, of course, not calculable. But Nader's failure to examine this abuse of power—the failure to use it in pursuit of sound products and services—is unfortunate.

Roderick's answer to steel's problems is to get out of steel as fast as he can. He steadfastly denies most of big steel's shortcomings. But it is a fact that there are highly profitable (more profitable than even IBM), fast-growing and sizeable (billions of dollars) companies in the U.S. steel industry, such as Nucor Corporation, Chaparrell and Worthington Industries. Thus there are steel strategies that would have worked, or at least would have lessened the agony of transition, which could have paralleled those Oreffice followed in the chemical industry. Why didn't Roderick follow them? Moreover, Nucor's (et al) strategies are consistent with the emerging and clear-cut shape of American competitive winners—flatter, less flabby, closer to the customer, more flexible, more innovative, more service-oriented and more quality-oriented.

General Motors still can't make cars that work, and virtually all of its models look alike. And it has not deigned to go after new market segments. The most profitable car company in the world is one of the smaller ones—BMW, which follows an equivalent strategy to that of the American winners in the steel race. Smith rests his claim to fame on more abstract notions—computerization of cars, factories and car distribution systems (the Japanese won't move as fast as Smith does, because of their concerns with reliability) and some questionable acquisitions such as the $5 billion purchase of Hughes Aircraft. In fact, some say that Smith is after bigger game, with rumors up to and including giant American Express.

American business, especially its manufacturing core, desperately needs a new vision and a bold one—and quickly. What is it? I know what it is not. Nader approvingly explains that Norris of CDC "distinguishes the Control Data strategy from the traditional corporate approach to social responsibility, which he said emphasizes greater concern for employee welfare, product quality and participation. 'Social responsibility thus

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defined was an appropriate place to start 25 years ago. But it is not nearly good enough, because our society has been going downhill.' " Perhaps our society has been going downhill, but there is dubious merit to the argument that attributes the problem to businesses' failure to move beyond quality and worker participation. We are getting clobbered in more than 75 percent of our manufacturing businesses, from semiconductors to steel. And we are getting clobbered on the basis of quality and service. In turn, quality and service stems from emphasizing human, rather than financial capital, and from wholesale worker participation and partnership. We can sadly say that we have not yet achieved success with the more limited agenda, regardless of the merits of the broader one.

And to listen to Nader's CEOs, we aren't even trying the limited agenda. It is so distressing to read page after page of commentary on Smith, Roderick, even Norris, and find no mention whatsoever of an altered view of working with people and the unions. (The unions, and Nader makes this abundantly clear, have no bold vision either.) A bit shines through in McGowan's case and with Oreffice. But even those two do not articulate a broader vision. This, clearly, is a distressing failure to use power that could be readily exercised within the confines of the most conservative board of directors imaginable. Few boards would fight decent product quality brought about through widespread employee involvement, though, tragically, few demand it.

My criticism of Nader is unfair in part. Nader's agenda is not mine. He ranged far beyond the commonplace business analysis as he probed business participation across a broad agenda. Above all, Nader has convincingly demonstrated that even a non-ally of business can write an incredibly detailed and thoughtful book about chief executive officers. Only Ken Auletta's study of Schlumberger's former CEO, the late Jean Riboud, in *The Art of Corporate Success*, matches these Nader portraits. It's the kind of analysis that should be done. Big business performance is more vital than ever to America's social as well as economic performance. (And perhaps geopolitical, too, as transnational business activities increasingly dominate economic and political affairs.) The study of business leaders, especially in industries amid wrenching transition, has been shamefully limited. The only appropriate closing word about this Nader undertaking is: Bravo! ■

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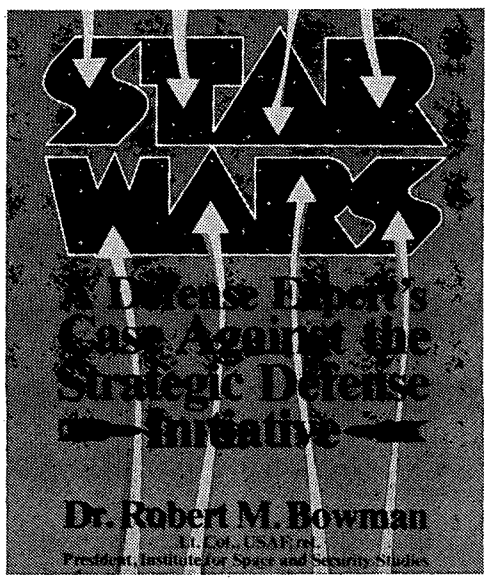

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Two White House officials, who asked not to be identified by name, recently told *The Washington Post* details about how the Reagan Administration is planning to stop government employees from leaking information to the press.

◆

"AND THE EARTH IS FLAT," THE SPOKESMAN ADDED.

A recent *New York Times* story headlined, "State Dept. Assails the Pentagon Over Study of Latin Peace Talks," reported that: "The White House, seeking to avoid involvement, denied there were any differences between State and Defense over the report."

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POLITICAL BOOKNOTES

The Agency: The Rise and Decline of the CIA. John Ranelagh. *Simon and Schuster, $22.95.* In this oddly mistitled survey of that most controversial of all arms of the American government, the Central Intelligence Agency, William Colby is a "boy scout" because he told the truth to Congress when the CIA's malfeasances began to unravel in public, and Richard Helms is a hero because he did not. Moreover, Stansfield Turner and Jimmy Carter were naive, if not downright dangerous, because they sought to run an intelligence agency within the moral context of a democracy, and failed. William J. Casey, on the other hand, is "dynamic, risk-taking and successful."

Just so we know where we are.

At the core of this study of the CIA by John Ranelagh, a British television producer, is the firmly-held belief that intelligence agencies should not be accountable. Thus, the problem is not the abuses committed by the CIA but the fact that they became public knowledge. It is a debate that is still going on, of course, and those who hold to the quaint, somewhat fusty belief that no agency should be above the law and the Constitution are probably losing in Ronald Reagan's Washington.

The Agency is an ambitious undertaking, nothing less than an attempt to capture the entire history of the CIA since its creation in 1947. The work is mistitled because the CIA, far from being in decline, has blossomed in the nurturing soil of the Reagan administration. Its budget has increased dramatically, its covert operations reach from Nicaragua to Afghanistan, and its contempt for Congress is scarcely concealed. William Casey is a tough customer, the first Director of Central Intelligence (DCI) to hold cabinet rank, and a man who enjoys instant access to the president. Casey got him elected, after all. No other DCI managed the political campaign of the president who appointed him.

The Agency, it should be said, is a serious, nonsensational work—massive, bulging with footnotes and original interviews, falling somewhere into the maw between history and journalism.

The difficulty is that there are limits to what the CIA or any other secret agency will release under the Freedom of Information Act, which Ranelagh has plumbed. He was obliged, therefore, to rely heavily on interviews with former CIA officials. And there's the rub. Talk to the Old Boys and you get Old-Boy talk.

Defenders of the agency, stalwarts of the Clandestine Services, True Believers, all. Pensioners who grow misty at the mere mention of names like Allen Dulles and Frank Wisner, aging spooks who long for the bad old days when covert operations were what counted before the place was taken over by the damned high-tech gadgeteers who think a satellite in outer space is worth more than an agent in place.

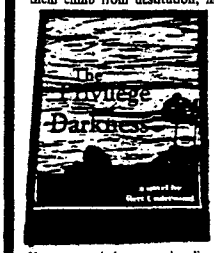
Some of them are identified, some not. Ranelagh has talked at length with Lawrence Houston, long the agency's general counsel, who was present at the creation and a shrewd mechanic for Allen Dulles, John McCone, and Richard Helms. Houston is quoted at length as are men like Richard Bissell, architect of the U-2 spy flight program and the Bay of Pigs invasion of Cuba, Helms, John Maury, and R. Jack Smith, former chief of the agency's analytical branch.

By and large, Ranelagh likes what he has seen and heard. Considering the agency's track record, the book is remarkably free of critical judgments. There is only the skimpiest rendition of the CIA's nefarious MK/ULTRA decade-long drug testing project, under which unsuspecting Americans were given LSD. Many of them were harmed and at least one died. The project, we are told, was prompted by the confession of Hungary's Cardinal Mindszenty; the CIA wanted to know "how he had been briken." Testing drugs, says Ranelagh, "showed the CIA to be in the context of time, sharing the concerns of society, not removed from them." Frankenstein was a scientist too.

During Watergate, we are told,

Yes, some contributed even one hundred years ago at the top of the society . . .

Bert Underwood's exciting new historical novel "THE PRIVILEGE OF DARKNESS" covers the lives of Free Negroes prior to the Civil War, and their painful adjustments to repressive new post-war black codes. This story of mixed Margery Malcolm Spence, whose father was a prominent southern judge, is a gripping tale of a caste system in the making. Living in beautiful Malcolm House, a gift from her father, this woman of culture and courage tries to carve out a business to keep her family a step above others, which had been their heritage. She, with others of her class, joined hands with the recently freed, helping them climb from destitution, in those vibrant years of Young America.



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"CIA officials were the only people in town who, when asked, said 'No' to the Nixon White House." Some misconceptions gain a life of their own. The CIA did indeed say no—but not until early July, almost three weeks after the break-in when things were getting too hot to handle. Earlier, CIA director Richard Helms wrote a complaisant memo instructing his agency to tell the FBI not to dig beyond the burglars arrested in the Watergate, "to confine themselves to the personalities already arrested... and... desist from expanding this investigation into other areas which may well, eventually, run afoul of our operations." That is exactly the coverup Richard Nixon ordered. He instructed that the CIA be used to stop the FBI investigation, and that, ultimately, is what forced him to resign.

Ranelagh is particularly harsh on Stansfield Turner. When Turner found additional evidence about CIA safehouses in New York and San Francisco where the agency's LSD victims were photographed through two-way mirrors, he "immediately reported it to the newly-formed Senate Committee on Intelligence, and predictably, publicity ensued." Turner was actually *telling* Congress what the CIA had done.

Moreover, Turner fired the Old Boys—he eliminated 820 jobs in the Directorate of Operations, for which he will never be forgiven by the inner club. Turner even had the temerity to suggest that American intelligence, confident "that it would not be held accountable, committed errors that both disgraced our nation and, in the longer run, imperiled our very intelligence capabilities." Turner, in short, is dismissed as a soft-headed idealist who dared to criticize his own agency.

There are errors, some perhaps inevitable in a book of such impressive length. The CIA did attempt to suppress *The Invisible Government*, of which I was co-author, and did indeed explore the possibility of buying up all the copies, but Cord Meyer of the CIA, while no admirer of the book, did not visit Random House for that purpose. The error is not wholly Ranelagh's fault; Meyer's role was erroneously reported in *The New York Times* a decade ago, and will, presumably, be wrongly repeated forever.

The Agency is a significant addition to the literature of intelligence, but it fails as history because in crucial areas it either is free of value judgments or reaches patently wrong ones. The point of view, where it is discernable, is paternalistic and favors security over liberty.

When the author admiringly quotes former CIA executive R. Jack Smith, he gives the game away. Smith says the British understand "the business of the Crown." For "the Crown has its rights, and people in Britain know that it needs to do certain things in certain ways, and they do not question it. You've got to have some sort of sanctuary in a society's set of values in which secret things take place."

We do not have a Crown. We fought a revolution about that. They lost.

—David Wise

The Complete Guide to Public Employment. Ronald L. Krannich and Caryl Rae Krannich. *Impact Publications, $14.95.* The public sector, as defined by the authors, includes some 30 million jobs, 16 million of which are accounted for by federal, state, county, and municipal agencies, the rest of which are located in trade and professional organizations, business associations, lobbies, political support groups, international organizations, foundations and assorted flora and fauna. That is a wide spectrum, and some readers will find it hard to accept the National Association of Manufacturers and the National Rifle Association as part of the public sector.

The Drs. Krannich belong to the school of latter-day Dale Carnegies; previous works of theirs include such titles as *Interview for Success* and *High Impact Resumes and Letters.* Perhaps a quarter of *The Complete Guide* would be grist for a book on the decline of the American republic. We learn, for example, what color paper to use for our resumes (avoid white, yellow, green—do use off-white, light gray or light blue). We are told what colors to wear to the interview to give us that "power look," including what books to consult or organizations to go to for help if we can't figure out our own color type. Ladies, don't wear shoes that are lighter than your skirts, because we don't want the interviewer to focus his attention on your feet. And, of course, "You should associate with positive and successful people... Make a habit of running with winners." (Your former friends may think you're a horse's ass but screw *them).*

Having unloaded all this and more on us, the authors have made the major part of their book a practical and realistic collection of pointers on how to locate vacancies in the public sector, the tactics to pursue in getting to the interview stage, and what to expect in the way of pay and satisfaction from public employment. They are not snookered by the usual "pay comparability" studies designed to portray federal workers as underpaid. Job seekers are well advised of the limited value of political pull: "the President of the United States only directly controls 2,000 of the 2.9 million civilian government positions. Even the President may not be able to help you with the relatively autonomous and resistant bureaucracy." Most ostensibly up-for-grab vacancies—perhaps 70 percent of lower-level openings and 95 percent of the GS-13-and-up jobs—are pre-wired as promotions for people already in the particular

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agency. And, as experienced Washington hands know, personnel offices are mainly useful only in providing you with the necessary forms—*after* you've found someone on the operating level who wants to hire you.

—*Leonard Reed*

Thinking Back: The Perils of Writing History. C. Vann Woodward. *LSU Press, $12.95.* The work of C. Vann Woodward has dominated the historiography of the post-Reconstruction South for so many years that it is difficult now to imagine the field without him. But there were, of course, earlier historians of the "New South"; and *Thinking Back*, Woodward's reflections on his own scholarly career, provides a provocative reminder of the powerful assumptions that his work attempted to reverse.

In the 1930s, when Woodward was a graduate student at the University of North Carolina, there were few dissenters from the long-held assumption that what defined Southern history was its "enduring and fundamentally unbroken unity, solidarity, and continuity." Crises and disruptions there had been, to be sure: the Civil War, Reconstruction, economic dislocations. But the South had survived them all with its basic values and its most important institutions essentially unchanged. The "New South" in particular—the South that emerged from Reconstruction and began to rebuild—represented the restoration of the old planter aristocracy and its values after a tragic interlude of exploitation by outside forces. Underlying many such accounts was an approval of the South's "solution" to its social and racial dilemmas.

Much of Woodward's work during the nearly 50 years since he published his first book has been devoted to challenging this belief in "continuity." His *Origins of the New South*, which appeared in 1951 and remains the dominant work in the field today, argued that the South that emerged from Reconstruction was, indeed, a new society—no less oligarchical and conservative, perhaps, than the society it replaced, but deeply committed (unlike the Old South) to modern, commercial values, and dominated by a new class of leaders. *The Strange Career of Jim Crow*, published in 1956 (and once described by Martin Luther King Jr. as "the historical Bible of the civil rights movement"), maintained that Southern segregation was not the result of an unbroken tradition; that for a time in the late nineteenth century there had been a certain flexibility in race relations; that only the passage of Jim Crow laws around the turn of the century had made the system "rigid and universal."

Woodward is frank to admit that it was not only the evidence that led him to such conclusions. It was also his sense that the "continuitarian" view of Southern history was paralyzing to reform and to his hope that a new picture of the past might prove politically liberating. If laws had entrenched segregation in the past, then new laws could help to destroy it in the future. Looking back now, Woodward concedes a number of important points to subsequent critics (the most important of whom are not romantic defenders of Southern traditions but more radical observers who believe Woodward has underestimated the persistence and strength of racism and reaction in the region). But he remains largely committed, as do many younger scholars who have followed the path he blazed for them, to his belief in discontinuity.

Woodward has been accused, he says, of being a "presentist, a moralist, an ironist, and a one-time activist, of being a chronicler with a weakness for history-with-a-purpose and one influenced by a theologian [Reinhold Niebuhr]." He has faced "the still graver charge of being a historian, presumably dedicated to fact, who is inspired by fiction [by the works of Faulkner and Robert Penn Warren]." He himself declines to pass judgment on the accuracy of such charges. But those who have read and profited from the remarkable work of this great historian will agree that many of them, happily, are true.

—*Alan Brinkley*

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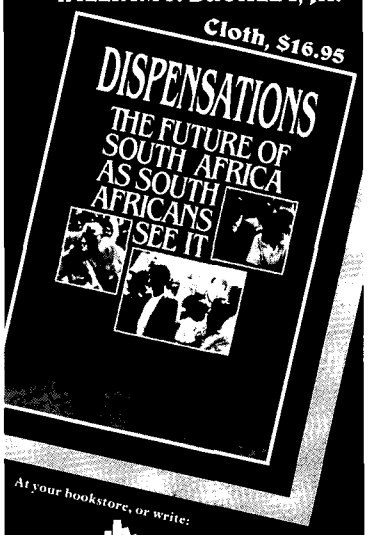

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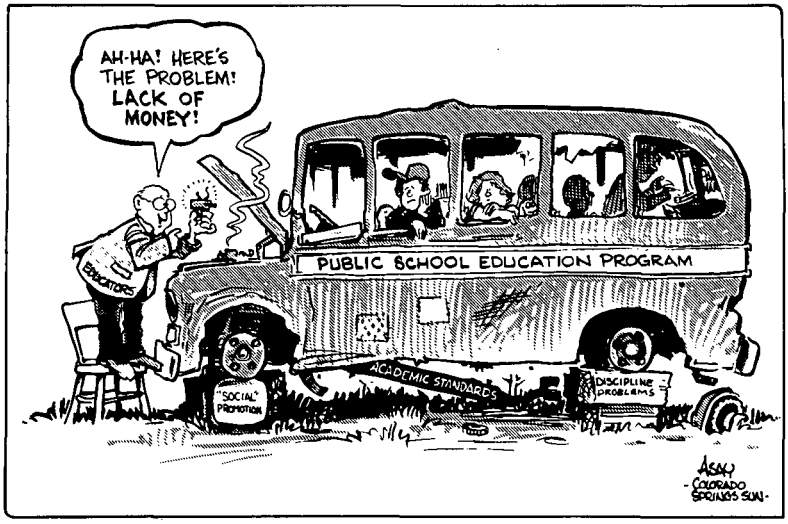

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